

1

Class No.....

[illegible]

■

INDIAN FINANCE
IN THE DAYS OF THE COMPANY

■

BY THE SAME AUTHOR.

1. A STUDY OF INDIAN ECONOMICS
Fourth Edition, 1928.
2. PUBLIC ADMINISTRATION IN ANCIENT INDIA.
3. FISCAL POLICY IN INDIA.
4. A HISTORY OF INDIAN TAXATION.
(In the Press.)

INDIAN FINANCE

In the Days of the Company

BY

PRAMATHANATH BANERJEA

M.A. (CAL.), D.SC. ECON. (LOND.)

OF LINCOLN'S INN, BARRISTER-AT-LAW

MUNTO PROFESSOR OF ECONOMICS, CALCUTTA UNIVERSITY

AUTHOR OF "A STUDY OF INDIAN ECONOMICS"

"PUBLIC ADMINISTRATION IN ANCIENT INDIA"

"FISCAL POLICY IN INDIA," ETC.

*Published for the University of Calcutta
by*

MACMILLAN AND CO., LIMITED
ST. MARTIN'S STREET, LONDON

1928

I

COPYRIGHT

PRINTED IN GREAT BRITAIN

I

मातृस्वसृदेवीर श्रीचरणीद्देशे

PREFACE

A CONNECTED account of the financial system of India in the days of the East India Company is not, so far as the author is aware, to be found in any published work. In the present volume an attempt has been made to deal with the most important aspects of Indian public finance of the period 1765 to 1858. The subject has been treated mainly from the historical point of view. Stress has been laid not merely on revenue and expenditure but also on financial policy. In order not to overburden the body of the work with statistical details, some of these have been relegated to the foot-notes and the appendices.

The author has tried to avail himself of the most reliable sources of information. Parliamentary Papers, Reports of Committees, and other official publications have furnished him with the bulk of his material for the work. Further, he has utilised the information available in some of the Manuscript Records preserved by the Governments of India and Bengal. He has also consulted the more important among the books which deal with this period of Indian history.

The author desires to express his thankfulness to the Keepers of the Records of the Governments of India and Bengal and their staffs for the facilities offered by them, and to the authors of the books from which he has gathered any information. His thanks are also due to Mr. Sudhirkumar Lahiri, Mr. Pramatharanjan Datta, and Mr. Prabodhchandra Ghosh who have helped him in seeing the book through the press.

CONTENTS

CHAPTER I

INTRODUCTORY - - - - -	PAGE 1
------------------------	-----------

CHAPTER II

THE FINANCIAL SYSTEM - - - - -	7
--------------------------------	---

CHAPTER III

DEFICITS AND SURPLUSES - - - - -	77
----------------------------------	----

CHAPTER IV

FINANCIAL RESOURCES—LAND REVENUE - - -	126
--	-----

CHAPTER V

FINANCIAL RESOURCES—OTHER HEADS OF REVENUE	188
--	-----

CHAPTER VI

CIVIL EXPENDITURE - - - - -	262
-----------------------------	-----

CHAPTER VII

MILITARY EXPENDITURE - - - - -	337
--------------------------------	-----

APPENDICES

APPENDIX A		PAGE
Surplus or Deficit in the Revenue and Expenditure of India, 1814-15 to 1857-58	- - - - -	368
APPENDIX B		
Cash Balances in the Indian Treasuries, 1834 to 1858		369
APPENDIX C		
Revenue and Expenditure, including Home Charges, for the year 1857-58	- - - - -	370
APPENDIX D		
Gross Revenue and Expenditure in India, 1792-93 to 1857-58	- - - - -	372
APPENDIX E		
Gross Revenues of the different Provinces, 1800-01 to 1857-58	- - - - -	374
APPENDIX F		
Revenue and Expenditure of each Province for the last ten years of the Company's rule	- -	375
APPENDIX G		
Debt of the Government of India, 1834-35 to 1857-58	-	376
APPENDIX H		
Expenditure in England, 1834-35 to 1857-58	- -	377
APPENDIX I		
Military Expenditure of India, 1834-35 to 1857-58	-	378
APPENDIX J		
Firmaun from the King Shah Alum granting the Dewannee of Bengal, Bahar and Orissa	- -	379
INDEX	- - - - -	381

CHAPTER I

INTRODUCTORY

THE East India Company first appeared in India as a body of merchants. It then played, either simultaneously or in succession, the parts of factor, zemindar, *Diwan*, and ruler.¹ The transformation was a gradual—though not in all the stages a slow—process. To the student of economic history it is the last two phases that appear to be of the greatest interest. And both these phases are intimately connected with financial administration.

The financial system of the early years of the Company's rule in India presented many anomalous features. In the first place, the income derived by

¹ Firminger, in his Introduction to the Fifth Report, quotes a saying which is current in Western India, namely, "Madhoji Sindhia made himself master of India by calling himself a *patel*," and remarks, "With even greater reason it might be said that the East India Company created an Empire by calling itself zemindar." This, however, is only partially correct. The zemindari right, it is true, gave the Company its first foothold on the soil of India; but it was the Diwani which made it the governing power of the country.

The office of Diwan was created by Akbar, and the first person to hold it was Raja Turya Mal. This office was sometimes held separately, and sometimes in combination with that of the Nazim. On receiving intimation of the grant, the Directors expressed their sentiments in these words: "We observe the account you give of the office and power of the King's Diwan in former times was—the collecting of all the revenues, and after defraying the expenses of the army, and allowing a sufficient fund for the support of the Nizamat, to remit the remainder to Delhi. This description of it is not the office we wish to execute." Letter to Bengal, dated the 17th May, 1766, quoted in Auber, *Rise and Progress of the British Power in India*, vol. i., p. 140.

the Company from the ceded and zemindari lands was private property. But the revenues of the *Diwani* lands, after payment of twenty-six lakhs of rupees to the Emperor of Delhi, were to be expended in meeting the administrative charges of the provinces of Bengal, Behar, and Orissa. These revenues thus belonged to the State. But to which State? One State had been superimposed upon another, and the exact relationship between the Over-State and the Under-State remained undefined for a considerable length of time.

Secondly, the *Diwani* which was granted to the Company in 1765 was an office which conferred financial powers but gave no administrative authority. Therefore, at the outset, a system of double government was established in Bengal. The collection and management of the revenues were vested in the Company; but the administration of justice and the preservation of law and order continued to be entrusted to the Nawab of Murshidabad. The system was, in reality, as described by its author, "a mask." The masked system was found very useful, for, while it rendered permanent and secure the possessions and influence of the Company, it prevented the wrath and jealousy of foreign nations.¹ It was not, however, altogether free from incongruity.

¹ The objects Clive had in view in obtaining the grant of the *Diwani* and in introducing a double government are clearly expressed in his letters to the Court of Directors. In one of these he wrote: "By the acquisition of the *Diwani*, your possessions and influence are rendered permanent and secure; since no future Nawab will either have power or riches sufficient to attempt your overthrow by means either of force or corruption. The experience of years has convinced us that a division of power is impossible, without

Thirdly, there was a doubt as to the nature of the right which was exercised by the Company in respect of its territories. The lands were held, in effect, as a farm granted by the Emperor of Delhi, to whom it paid a fixed annual sum. The position became more obscure when this payment was discontinued. The Company exercised ruling powers; but the question was, Did it acquire a proprietary right to the territories it governed? On behalf of the Company, it was maintained that its rights were secured by charters and Acts of Parliament, that it was a dangerous infringement of property and public faith to question them, and that the claim of the Crown could only be tried in the law courts. On the other hand, it was argued that the charters did not confer on the Company, any rights to territories obtained by conquest, that such large possessions in the hands of a trading corporation were improper and dangerous, and that the vast expenditure of the government in the protection of the Company gave it an equitable right to the revenues arising from the territories.¹ It was also urged as "an

generating discontent, and hazarding the whole. All must belong either to the Company or to the Nawab." In another letter he observed: "Though the revenues belonged to the Company, yet were the Company's officers the collectors, foreign nations would immediately take umbrage; and complaints preferred to the British court might be attended with very embarrassing consequences." Bolts, however, went too far when he suggested that "the whole was a mere fiction, invented for the private purposes of the Company or Directors, and their servants or confederates; and to screen their seizing on the sovereignty of the country, by imposing upon and deceiving, if they could, not only the inhabitants of India and foreigners, but even the British nation." *Considerations on Indian Affairs*, pp. 36-37.

¹ *Vide* Auber, *Analysis of the Constitution of the East India Company*.

indispensable maxim of law, supported by the strongest consideration of utility, that no subjects of the Crown could acquire the sovereignty of any territory, for themselves, but only for the nation.”¹ Here, again, was a confusion between sovereignty and property. For a time, the answer to the question was evaded. But it was not long before the people of England demanded a share in the benefits derived from the acquisition of Indian territories. In 1767, an Act of Parliament compelled the Company, in consideration of holding the territorial revenues of India for two years, to pay annually £400,000 into the public exchequer. Such payment went far towards the removal of the doubt which had arisen in respect of the Crown’s rights. The question was set at rest by a resolution of Parliament which declared that all acquisitions made under the influence of a military force, or by treaty with foreign powers, did “of right belong to the State.”²

Fourthly, there was an anomaly incidental to the union of government and trade. The administrative

¹ Mill, *History of India*.

² This resolution was passed in 1773. *Vide* Auber, *Analysis of the Constitution of the East India Company*.

The real position was clearly explained by J. C. Melvill in the course of his evidence before the Parliamentary Select Committee of 1832-33. He said : “The Committee are of course aware that the earliest charter of the Company gave them a right to acquire lands without any reserve ; the right of the Company to the property in the lands acquired under that authority does not appear to have been questioned for a century and a half ; and when questioned, it was only with respect to recent acquisitions. After the Battle of Plassey, doubts appear to have arisen whether territory and booty acquired by force of arms in India did not belong to the Crown ; with a view of removing those doubts the Company presented a petition to the Crown, the

and commercial concerns of the Company were so inextricably mixed up together that it was for many years impossible to ascertain, with any degree of accuracy, the financial position of the country. The dual rôle of ruler and merchant assumed by the Company was productive of many evils, and gave rise to much confusion and inconvenience.

Lastly, the term 'Indian finance' can, strictly speaking, be hardly used with reference to the early years of the Company's administration. Territories in India were acquired piecemeal, and there was no central government during nearly three-quarters of the period with which we are here concerned. The accounts of the three Presidencies were kept separate, and their financial method and procedure differed in many respects. The control of the Court of Directors and of the India Board introduced, it is true, some element of similarity into the financial systems of the provinces. But the points of difference were as striking as those of resemblance, and the practical difficulties arising from this diversity were considerable.

In the course of time, however, these anomalies disappeared one after another. The "mask" was thrown off, and the double government soon came to an end. The Company's claim to the Indian terri-

object of which was to obtain a grant of all that might be acquired by conquest. This petition was referred to the law officers of the Crown, who gave it as their opinion that all places which the Company acquired by treaty of grant from native princes were their property, the sovereignty vesting in the Crown; but that as to places acquired by conquest, the property as well as the dominion is vested in His Majesty."

tories was abandoned in favour of the rights of the Crown of England. A separation of the administrative and commercial accounts was ordered by Parliament in 1813. The Company itself ceased to be a trading corporation in 1834, which year also witnessed the establishment of a centralised form of administration for the whole extent of the country.

CHAPTER II

THE FINANCIAL SYSTEM

THE rights of the East India Company were derived from two distinct sources, British and Indian. The charters granted by Queen Elizabeth and her successors, which were confirmed and extended by Parliament, were the foundation of its commercial privileges. The grant of the *Diwani* in 1765 by the Emperor of Delhi marked the commencement of its political career. The allegiance which the Company owed to the Emperor was soon ignored and repudiated. The British Parliament, on the other hand, successfully asserted its claim to control not merely the commercial, but also the political and financial, affairs of the Company. Its interference commenced soon after the acquisition of the *Diwani*, and it was not long before Parliament became the highest authority in the matter of Indian finance.

Parliamentary control was exercised in various ways, *e.g.*, by means of legislative enactments, enquiries conducted by Select Committees, discussion in the two Houses, and participation in actual administrative work. In 1767, Parliament ordered that, in consideration of an annual payment to the British Government,

the extensive territories which had been recently acquired in India should remain in the possession of the Company for a term of two years. This term was soon afterwards extended for a further period of five years.¹

The first attempt of Parliament to reform abuses in India was made in 1773. Two Committees had previously been appointed, which had collected a great deal of information regarding the internal economy of the Company's eastern possessions. Parliament now passed the Regulating Act which had in view five fundamental objects, namely, first, the improvement of the constitution of the Court of Proprietors ; second, the remodelling of the Court of Directors ; third, the establishment of a Court of Justice in Bengal capable of protecting the people of India from oppression ; fourth, the establishment of a Council General in Bengal ; and fifth, the introduction of some measure of governmental control into the affairs of the Company. The fourth and fifth objects were specially important. It was provided that the Government of Bengal should henceforward consist of a Governor-General and four Councillors. In respect of peace and war, the other Presidencies were rendered subordinate to the Presidency of Bengal, the object being "to produce uniformity, consistency, and effective co-operation of all the settlements in their common defence." In regard

¹ Report of the Select Committee on the Affairs of the East India Company, 1832-33.

to internal administration, however, the three Presidencies were left practically independent of one another. The interference of the British Government was introduced in two ways. It was provided that future appointments to the Council should be subject to the King's approval, that all correspondence from India relating to the civil and military affairs of the Company was to be laid before one of the Secretaries of State, and that everything concerning the revenues was to be placed before the Commissioners of the Treasury. It was also provided that the Company should render to the Treasury half-yearly statements of the profit and loss on the trade and revenues, and of the Company's debts in England.

Two other Acts were successively passed, by each of which the territory was continued to the Company for one year. In 1781, an Act was passed for continuing the territorial acquisitions and revenues in the Company for a period terminating upon three years' notice to be given after the 1st of March, 1791.

Meanwhile, the Regulating Act had failed to remedy many of the existing evils, and abuses of various kinds had continued to prevail. The influence of the Secretary of State was of a very shadowy character. Nor did the provisions of the Act of 1781, compelling the Court of Directors to obey instructions received from the King through one of the Secretaries of State, mend matters to any appreciable extent. In 1782

and 1783, the investigation of the affairs of India by Parliamentary Committees disclosed a very unsatisfactory state of things. Therefore, towards the end of 1783, Fox brought forward his India Bill which aimed at the virtual transfer of the administration of India from the Company to Parliament.¹ This Bill, though passed by the House of Commons by a large majority, was rejected by the House of Lords. In 1784, Pitt introduced his Bill for regulating the affairs of India, which soon became an Act of Parliament.² By this Act, a form of dual government—significantly termed “a system of checks”—was set up. The powers of the Court of Directors of the Company were retained, but a Board of Commissioners was established, which was given full authority to control the acts of the Directors. The patronage was left in the hands of the Company. This Act also established Governors-in-Council in the Presidencies of Madras and Bombay, and enlarged the powers of the Governor-General in Council in respect of the control exercised over the other Presidencies.

The Act of 1793 introduced certain changes into the constitution of the Board of Control, and provided for

¹ Originally there were two Bills, but they were afterwards incorporated into one.

² The difference between the two measures was this: Fox's Bill sought to take the commerce as well as the territory from the Company, to abolish the Court of Directors, and to deprive the Company of the power to make appointments. Pitt's Act left the commerce and the patronage with the Company and the Directors. The former was a total abrogation of the Company's rights; the latter a partial deviation from the charter, making only such changes as were absolutely necessary. *Vide Auber's Analysis of the Constitution of the East India Company.*

the payment of salaries to the Commissioners. It further extended the power of superintendence over the other Presidencies which had been vested in the Governor-General in Council of Bengal. The privileges of the Company were extended to the year 1814. Between the years 1808 and 1812, Select Committees of the House of Commons were appointed to enquire into the state of affairs of the East India Company. They presented five reports dealing with the different subjects referred to them. No change of any constitutional importance took place on the occasion of the renewal of the Charter in 1813. But a separation of accounts was ordered, which will be noticed later.

The Charter Act of 1833 continued the Indian possessions in the hands of the Company for a further period of twenty years. It extended the powers of the Board of Control, while the direction, control, and supervision of the administration and revenues of the whole country became vested in the Governor-General of India in Council. By the Act of 1853, the Court of Directors was divested of their patronage, and the powers of the Board of Control were further enlarged.

One important purpose for which Parliament was often called upon to intervene was to reconcile, so far as possible, the two characters of trader and administrator which belonged to the East India Company. On the compatibility or otherwise of these functions considerable divergence of opinion prevailed from the

very beginning.¹ Fox and Pitt looked at the question from different points of view in 1783-84. The subject was again fully discussed in Parliament in 1813, when both sides had their staunch supporters. On behalf of the Company, it was urged that the objection to the union of government and trade was merely a theoretical one, that the eastern possessions had, as a matter of fact, been acquired and successfully managed by a trading corporation for a long term of years, and that, in view of the distance of the country from Great Britain and of its peculiar circumstances, an intermediate body was the best agency for conducting its administration. On the other hand, it was argued that the blended character of merchant and sovereign was an anomaly inconsistent with all sound principles of commerce and government, and that history did not show any instance in which a ruler had ever traded for profit nor where a trading company administered a country for the benefit of its subjects.² Though the majority of the British public was against the Company, the Court of Directors was still a mighty power, and its immense patronage had established relations with the

¹ It should be mentioned in this connexion that, after the passing of the Regulating Act of 1773, the Court of Directors ordered the Government of Bengal to establish a Board of Trade in order to keep the administrative and commercial activities of the Company distinct to some extent. This Board consisted of eleven persons. It was superseded by a new Board in 1786, when it was placed under one of the members of the Council. In the districts there were commercial residents who worked under the direction of the Board of Trade. The distinction served a useful purpose, but fell far short of a real separation.

² *Vide* Lord Granville's speech in the House of Lords, quoted in Mill's *History of India*.

most influential families in the United Kingdom. Parliament, naturally, felt satisfied with a half measure. The monopoly of the trade with India was taken from the hands of the Company, but no change was made in respect of its political authority.

The question came up again for consideration in 1832-33. The abolition of one of the three governments was urged on various grounds, particularly on the ground of economy. One of the witnesses before the Parliamentary Committee observed : " The great and increasing bane of India is the remoteness of the supreme and legislative authority, with the expenses of that distant and complicated machine, which delays almost every useful measure till its value is lost or diminished. No expenses of the local governments can, by the native of India, be considered liable to the objections applicable *a priori* to those which are 15,000 miles off. The former money is at least spent in the country. The King, Parliament, and the Board of Control exercise all real authority at home, and there is not the least doubt that, abstractedly, the abolition of the intermediate power of the East India Company would greatly simplify and reduce *pro tanto* the expenditure of the general government of India, which is the real incubus that weighs on its resources."¹ Strangely enough, the Act of 1833 ended not the political, but the commercial, existence of the Com-

¹ Written Statement of Lt.-Col. Baker submitted to the Select Committee of 1832-33.

pany. By 1853,¹ it had come to be generally recognised that the system had become effete, but even at this time the government of the day did not feel itself strong enough to resist the power of the Company. The Charter Act of this year, however, unlike the previous Acts, entrusted the administration of India to the Company, not for the usual period of twenty years, but "until Parliament should otherwise provide," thus foreshadowing the early cessation of its authority. The Sepoy Mutiny gave the death-blow to the Company.²

During the continuance of the blended system, Parliamentary interference often helped to minimise its evil effects. The territorial and commercial affairs of the Company were, from the very beginning, mingled together as forming one individual concern ; and although the revenues of the Company in India

¹ The Liverpool East India Committee, in their evidence before the Committee of 1852-53, remarked :

"The system pursued by the East India Company in the conduct of their commercial transactions in India may be said to be oppressive to the native merchants, opposed to the interests of British merchants, and unprofitable to themselves." The Manchester Chamber of Commerce observed : "This Board is not aware that the powers of government have ever designedly been employed to place rival merchants under unfair disadvantages in trade ; but there can need no proof at this day that, when governments act as traders, their operations will of necessity be productive of such an effect."

² By section 1 of the Government of India Act, 1858, it was declared that the government of the territories in India should cease to be vested in the East India Company, and that all rights should henceforward be exercised in the name of the Queen. Section 2 of the Act provided as follows : "All the territorial and other revenues of or arising in India, and all tributes and other payments in respect of any territories which would have been receivable by or in the name of the said Company if this Act had not been passed, shall be received for and in the name of Her Majesty, and shall be applied and disposed of for the purposes of the government of India alone, subject to the provisions of this Act."

and their profits in Great Britain were separately appropriated, yet there was no direct provision for accurately distinguishing, either in India or in England, receipts and disbursements of a political character from those which properly appertained to commercial activity.¹

On the occasion of the renewal of the Charter in 1793, an effort was made to discover the extent of the Company's resources, both political and commercial, and calculations regarding future revenue and expenditure were made on the basis of the experience of preceding years. A line was drawn for the distribution of expenditure in India,—for the expenses of administration as well as the interest upon debts. Further, it was prescribed by Parliament that the Court of Directors of the East India Company should annually lay before Parliament distinct accounts of the revenues and disbursements, the amount of the sales of goods and stores received from Europe, the state of their debts and assets, together with an account of the proceeds of the Home Treasury and of the debts and assets in England. In conformity with these provisions, statements were prepared every year on two principles, namely, one showing the revenues and charges of India collectively, and the other those of the three presidencies of Bengal, Madras, and Bombay separately.²

¹ Report of the Select Committee, 1832-33.

² Second Report of the Select Committee on the Affairs of the East India Company, 1810.

No separation was, however, made of the different branches of the accounts. The Select Committee of 1810 observed: "The political and commercial concerns of the Company are so interwoven in the financial system of India that, under its present arrangement, it is of the utmost difficulty, if not totally impracticable, to make a distinct separation of them." This circumstance was also referred to in the other Reports of the Committees which were appointed between 1810 and 1812.

The Charter Act of 1813 contained provisions which were intended to remove this difficulty. The 64th Section of the Act directed the entire separation of the political branch of the Company's affairs from the commercial. By the 55th Section of the Act, the territorial revenues and profits were first to be appropriated to the following descriptions of charge, namely, the expenses of collecting the revenues, the maintenance of forts and military establishments, the interest on debts, the civil and commercial establishments, and the territorial charges paid in Europe. The surplus which might result, after defraying all these charges, was to be applied to the liquidation of the territorial debt.¹ The 24th Section of the same Act subjected

¹ By the 57th Section of the Act the profits of the Company in Great Britain were to be applied to—1st, paying bills of exchange; 2nd, paying debts, except the principal of the bond debt; 3rd, payment of dividend at 10 per cent. till the "separate fund" was exhausted, and then at 10½ per cent.; 4th, reduction of the Indian debt or the bond debt in England. The 59th Section provided for the application of the surplus of the territorial revenues and home-profits in repayment of the capital of public funds created for the Company; and any further surplus was to be paid into the Exchequer,

the commerce of the Company to the payment of the like rates, customs, and duties, as that carried on by private traders, while the 67th Section declared the whole of the duties, both on the import and the export trade, to be part of the territorial revenue of India.

The Court of Directors sent definite instructions to the Governor-General in Council to give effect to these provisions of the Act. With reference to the separation of accounts, they observed as follows: "Although the management of the whole concern remains with us, it is requisite that the political branch should be considered as an affair of government, the commercial as that of mercantile transactions; and by debiting and crediting in account the transactions between them in advances and supplies, as if they were absolutely distinct and separate concerns, so that accounts of receipt, expenditure and balance may be duly rendered by each respectively in the way required by Parliament."¹

The separation of accounts was effected in conformity with a plan prepared by the Court of Directors and approved by the Board of Commissioners in 1814. This plan was laid before Parliament in 1816. Although

to be a guarantee fund, not exceeding twelve millions, for the capital stock and dividends, and of the excess of such payments, one-sixth was to be retained by the Company, and the remaining five-sixths were to be the property of the public, and at the disposal of Parliament.

¹ Letter from the Court of Directors of the East India Company to the Governor-General in Council of Bengal, dated the 6th September, 1813. They also remarked: "The section of the Act now passed relating to the finances appears to us to have been founded upon the positive assumption that, during peace at least, the revenues of the territorial or political branch will be fully sufficient."

the separation, as prescribed by the Act, was understood to apply only prospectively, yet the Court of Directors considered it desirable to order a division to be made of the debts and property. The principle was adopted that the Indian registered debt, which had been declared by Parliament in 1793 to be territorial, but had largely increased since that period, was still entirely territorial. The Indian assets were considered of a similar character ; and only a few heads of small amount, both of debt and asset, were carried to the commercial account. As to the property in England, the whole of it, including the cash in the Home Treasury and the property afloat (with a few exceptions) ¹ was directed to be carried to the commercial branch. The debts existing in England were also debited to commerce, with the exception of the home bond debt which was considered doubtful and was not carried to the account of either branch. The change was one of great importance from the financial as well as the administrative standpoint.

The books of account were henceforward kept, in conformity with this plan, separately for the two branches of the Company's accounts. An absolute separation was, however, impossible in practice.

¹ The exceptions to the apportionment of the property in England were that bills running on the Court for the principal and interest of the India debt, the loan of 1812 raised for the discharge of similar bills, and a sum in treasure on its passage from India (in the *Stirling Castle*) which was afterwards applied to the same purpose, together with the debts and credits outstanding between His Majesty's Government and the Company, and the political stores, were carried to the account of the territorial branch. *Vide* Report of the Select Committee, 1832-33.

Advances were occasionally made from territory to commerce, and from commerce to territory, for which no interest was charged. Nor was the system of keeping accounts completely free from confusion. In 1832, the desire was expressed by the Committee of the House of Commons that some person, sufficiently conversant with accounts, and unconnected either with the Company or the Board of Control, should be employed for the purpose of examining the public accounts of the Company. Accordingly, James Pennington was appointed for the purpose. After a careful examination of the books, he observed : “ All the statements which have heretofore been drawn out with a view to this enquiry differ materially from each other, as well in point of principle as in their details and results ; and show the extreme difficulty, or rather the impossibility of arriving at any certain conclusion, upon a point of which the accounts from which the statements are drawn do not afford either the perfect illustration or the proof.” ¹

The state of the account between the commercial and political branches engaged the serious attention of the Parliamentary Committee of 1832-33. On the question of the advantage which one branch of the Company's affairs obtained at the expense of the other, much conflicting evidence was adduced before this Committee. On behalf of the Company, it was urged that the finances of India had derived advantage from

¹ Appendix to the Report of the Select Committee, 1832-33.

their connexion with the commerce of the Company in various ways ; on the other hand, it was maintained that the benefit derived by commerce was immense, and that it would not have been possible for the Company to pay large dividends to its shareholders or to build up a huge patronage without the advantage of a political connexion. The Committee felt reluctant to express any opinion on the subject.

In 1833, Parliament, when closing the commercial business of the Company, finally settled matters which had been left uncertain in 1813. The home bond debt was now declared to be political, and was charged on India's revenues. The Charter Act of this year also provided that the assets of the Company, with the exception of two million pounds sterling, should be applied to the reduction of the territorial debt, in consideration of a yearly dividend of $10\frac{1}{2}$ per cent. being made payable out of the revenues of India on the amount of the capital stock then existing of the East India Company. The dividend was to be subject to redemption at any time after the 30th April, 1874, on twelve months' notice by the Government, at the rate of £200 for every £100 of capital stock. This Act also placed £2,000,000 of the Company's property in the hands of the Commissioners for the reduction of the National Debt as a security for the prompt payment of the dividends payable to the proprietors of East India Stock, in case of any failure in the remittances from India. This sum, with the interest

accruing, was to accumulate till its total amount reached £12,000,000. Until the Security Fund reached this sum, no portion of the interest could be utilised as Indian revenue. Nor could the fund itself be applied to any other purpose than for what it was formed until the whole of the dividend on the East India stock had been redeemed. The Act of 1853 provided for the redemption of the dividends on the 30th April, 1874.¹

The provisions of the Act of 1833 were the subject of much criticism. It was suggested that, as the debt of the Company had been incurred in acquiring territorial possessions, it ought not to have been made chargeable on the revenues of India. Particular exception was taken to India being made responsible for the repayment of the home bond debt which had been commercial in origin. The necessity or desirability of the assets of the Company being appropriated to the resources of India, in consideration of the grant of an annuity, was also questioned. It was justly observed by Wilson, "The territory gained no advantage, as although it was relieved of a part of its liabilities it was burthened with a heavy annual payment of perhaps rather more than an equal amount; and the commerce reaped no benefit, as there was offered only an annuity for a term of years, in place of an amount of capital yielding a larger income for ever."²

¹ *Vide* Notes on the Accounts of the Home Treasury of the Government of India from 1851-52 to 1883-84.

² Wilson, *History of India*, bk. iii., ch. ix.

A few words may be said about the financial relations of the East India Company with the British Exchequer. The Company paid large sums from time to time into the British Treasury in consideration of privileges granted by Parliament. It also lent money to the British Government on various occasions at different rates of interest or without interest. On the other hand, it borrowed considerable amounts several times from the Government under Parliamentary authority. The transaction which took place in 1767 has already been noticed. Another agreement of a similar nature was concluded in 1769. The total sum paid into the British Treasury under these two Acts was £2,169,398. In 1773, in response to a petition, a sum of £1,400,000 was lent to the Company. This debt was soon discharged. In terms of an Act of 1781, the Company paid to the public £400,000 in satisfaction of all claims up to the 1st March of that year. Under the provisions of the Charter Act of 1793, the Company was to pay to the British public the sum of £500,000 annually unless prevented by war expenditure. Owing, however, to financial distress, it was unable to make more than two payments of £250,000 each in the years 1793-94 and 1794-95. On two occasions subsequently to 1793, pecuniary assistance was rendered to the Company by Parliament. In 1810, a sum of £1,500,000 was advanced, which was repaid soon afterwards. In 1812, a loan of £2,500,000 was raised by the British Govern-

ment for the service of the Company. This was liquidated in part by annual payments, and the balance was discharged in 1822. The payment of large sums to the Company was also occasionally authorised between 1794 and 1814 in repayment of advances previously made by it in India on account of His Majesty's service.¹

While Parliament intervened in some matters involving injustice to India, there were other evils incidental to the union of government and trade against which Parliament was powerless. Many complications arose in Bengal from the dual rôle of the

¹ *Vide* Report of the Select Committee, 1832-33.

The Court of Directors submitted the following statement of the contributions from the East India Company to the public, from the year 1768 to the year 1812 :

Paid from 1768 to 1775, in consequence of an agreement concerning the territorial possessions (7 Geo. III. cap. 57 and 9 Geo. III. cap. 24)	£2,169,399
Paid from 1769 to 1773, for indemnity on tea	483,050
Paid in 1779, bounty for seamen raised for the service of Government	13,653
Paid in 1780 and 1781, three ships of the line presented to Government	95,349
Paid in 1781 and 1787, per agreement for a new Charter in 1781	400,000
Paid in 1789 and 1790, for victualling the navy, and charges of His Majesty's troops in India	500,000
Claim of the Company for subsistence of French prisoners of war, and other expenses incurred by the Company on account of Government, written off in 1793 per Act of 33 Geo. III. cap. 52, sec. 127	443,632
Paid in 1793 and 1794, for participation, pursuant to the Charter Act of 1793	500,000
Paid in 1795 and 1796, expense of 3000 seamen raised for the service of Government	57,000
Paid in 1803 and 1804, armed ships, hired for the service of Government, and employed in defence of the country	67,330
Loss, from 1793 to 1811, by saltpetre supplied to Government at less than prime cost, as per obligation of the Charter	405,906
	<hr/> £5,135,319

Company. The realisation of the revenue was often hampered by the zeal of its agents to promote trade. The Company's servants themselves traded on their own account, and their *gomastas* oppressed the people in various ways. The abuse of *dastaks*, or free passes, grew steadily, until at last it became intolerable.

But the most serious evil of the system was the application of the revenues of the country to the objects of trade. A certain portion of the territorial revenue of Bengal was set apart every year to be employed in the purchase of goods for exportation to England. This was called the investment.¹ The practice began soon after the acquisition of the Diwani. The amount of investment in the first year was somewhat less than half a million pounds sterling. It rose in the next three years to three-quarters of a million, in spite of protests from the Government of Bengal.² There was a slight shrinkage in 1769-70; but in 1770-71, the year of the terrible famine, the investment was forcibly kept up. During the next few years also, it

¹ Report of the Select Committee, 1783.

² In 1767, the Government of Bengal wrote to the Court of Directors: "Under these difficulties you must expect the complaints of natives and of foreigners will grow louder every day, unless you should determine to sacrifice that essential point to your interest, the remitting home, by large investments, the benefits of your late acquisitions." Letter, dated 25th November, 1767; Appendix No. 7 to the Ninth Report of the Select Committee, 1783. "The impatient demand upon Bengal," wrote Verelst, "as an inexhaustible mine of wealth, superadded many other causes of decline to those which already oppressed the laborious inhabitants. Each year brought orders from Europe to enlarge the Company's investment." *View of Bengal*, p. 84.

was artificially maintained. The Governor-General and Council pointed out the disadvantage of the system. They informed the Directors that the supply of funds for the investment had arisen from "casual and extraordinary resources which they could not always expect to command." At last, the funds for the investment were no longer available. In 1780, the investment was suspended. During the five years preceding this date, the amount of the investment from Bengal averaged a million, and was sometimes as large as twelve hundred thousand pounds. This million, as was rightly observed, was "the lowest value of goods sent to Europe for which no satisfaction is made."¹ The total amount of investment during the fifteen years 1766 to 1780 was £12,360,264.²

In 1782, Hastings submitted a new plan for keeping up the investment, but it was disapproved by the Court of Directors.³ In 1793, a definite principle was

¹ Ninth Report of the Select Committee, 1783.

² The annual investment from Bengal from 1766 to 1780 was as follows :

1766	-	-	£437,511	1774	-	-	£648,867
1767	-	-	565,461	1775	-	-	932,837
1768	-	-	658,338	1776	-	-	788,823
1769	-	-	742,286	1777	-	-	1,082,233
1770	-	-	663,665	1778	-	-	1,266,224
1771	-	-	768,458	1779	-	-	1,082,453
1772	-	-	865,878	1780	-	-	1,254,958
1773	-	-	632,572				

Appendix No 6 to the Ninth Report of the Select Committee, 1783.

³ With regard to this plan the Directors observed : " By this extraordinary scheme the Company is totally overturned, and all its relations inverted. From being a body concerned in trade on their own account, and employing their servants as factors, the servants have at one stroke taken the whole

established for the application of the surplus revenue to the provision of investments. In 1800, Lord Wellesley, then Governor-General, complained that the demands of the Court of Directors for investment far exceeded the resources of the country. As the deficits were much larger in amount than the surpluses during the period 1793 to 1810, the provision of investment out of revenues was not continuous. But during the years 1811-12 to 1813-14 the supplies from India "exceeded the value of the Company's investment to the extent of nearly ten millions sterling."¹ After the year 1813-14, no portion of the revenues of India was applied to the purpose of investment.²

Small amounts of investment were occasionally supplied by Madras. The total of such investments

trade into their own hands, on their own capital of £800,000, at their own risk; and the Company are become agents and factors to them, to sell by commission *their* goods for their profits." A modified variant of this plan was also disapproved by the Court of Directors. *Vide* Ninth Report of the Select Committee, 1783.

¹ Wilson, *History of India*, bk. i., ch. vii., p. 349. Wilson points out that, of the amount so remitted, nearly two millions were in bullion. He adds: "The transaction was also of peculiar importance at the season of its occurrence; the movements of the vast armies which were working out the deliverance of Europe from military despotism depended in a great measure upon the wealth of England. The occasion called for and deserved the application of all her resources; and though bearing but a small proportion to the extent of her efforts, the treasuries of her Indian Empire, furnished a not inconsiderable nor unimportant contribution."

² Section 56 of the Charter Act of 1813 declared that it was not reasonable that the funds of the Company should be exposed to embarrassment by payment made in Europe on account of territorial charges; and it provided that a sum equal to the total payment from commercial funds at home on account of territorial charges should be applied in India, annually for the purpose of the Company's investment or of remittance to England on its account at the option of the Court of Directors.

during the five years 1776 to 1780 was less than a million.¹

The provision of investment led to another evil, namely, a shortage in currency. As early as 1767, representations were made by the Government of Bengal to the Directors exhorting them to consider some expedient to obviate the alarming consequences of the scarcity of coin.² Such representations were repeated in subsequent years ;³ but they seem to have produced little effect. The scarcity was not confined to Bengal, and the distress of the province was accentuated by the exportation of silver to the other Presidencies, and to China for purposes of trade. This difficulty was the subject of strong comment at the hands of the Select Committee of 1783. The issue of certificates in 1786 by Macpherson, Acting Governor-

¹ The investment from Fort St. George was as follows :

1776	-	-	-	-	-	-	£198,457
1777	-	-	-	-	-	-	295,424
1778	-	-	-	-	-	-	217,840
1779	-	-	-	-	-	-	86,491
1780	-	-	-	-	-	-	153,376

Total	-	-	-	-	-	-	£951,588
-------	---	---	---	---	---	---	----------

Appendix No. 10 to the Ninth Report of the Select Committee, 1783.

² Verelst, *View of Bengal*.

³ In 1768, the Government of Bengal wrote to the Directors : " You may be convinced that the value of your territorial acquisitions has not been decreasing, since the collections are now greater than they have ever been since your investiture of the Diwani. But be assured the benefits expected from them must be of short duration whilst a scarcity of specie prevails, as at present, and is daily increasing. You must expect, unless the evil is speedily removed, to collect your revenues in the commodities produced in the country, without having a prospect of vending them at any rate, as the merchants will be totally deprived of the means to purchase them." Letter dated 21st November, 1768. Appendix No. 9 to the Ninth Report of the Select Committee, 1783.

General of Bengal, was welcomed by the public as a palliative, however temporary. In 1789, Shore observed: "I have no hesitation in concluding that, since the acquisition of the Diwani, the current specie of the country has greatly diminished in quantity, that the old channels of importation by which the drains were formerly replenished are now in a great measure closed, and that the necessity of supplying China, Madras, and Bombay with money, as well as the exportation of it by Europeans to England, will contribute still further to exhaust the country of its silver."¹

The difficulty continued for some years longer. In 1800, the trouble was so acute that the Governor-General in Council was obliged to issue Treasury Bills which were to serve as a circulating medium during the prevalence of the scarcity. It was notified that these Bills would be issued in discharge of Bills of Exchange, of contracts entered into by the Government, and of all established civil allowances exceeding 400 rupees a month. The public was further informed that they would be received in payment of Government dues on account of salt and opium at the General

¹ Minute of June, 1789.

Shore calculated that the sum of one crore of rupees was the amount of the annual remittance from Bengal and Behar to Delhi during the Viceroyalty of Shuja Khan. These enormous drains, however, must have been, he thought, "replenished by very large returns." "But," he added, "from the year 1765 the reverse has taken place. The Company's trade produces no equivalent returns. Specie is rarely imported by the foreign companies nor brought into Bengal from other parts of Hindusthan in any considerable quantities. The exports of specie from the country for the last twenty-five years have been great; and particularly during the last ten of the period."

Treasury, and of customs duties at the Calcutta Customs House.¹ Gradually, a large export trade in India's raw materials was developed, and she obtained considerable quantities of silver from foreign countries in exchange for her goods. The establishment in 1806 of the Bank of Calcutta (afterwards known as the Bank of Bengal) also helped considerably to prevent the scarcity of specie. In later years, the general tendency was established of India being supplied with sufficient specie in the ordinary course of trade, though temporary inconvenience was occasionally felt by reason of the large remittances which had to be made to meet the Home Charges.

Apart from Parliamentary legislation and investigation, Indian questions gave rise to occasional discussions in the Houses of Parliament. The impeachment of Warren Hastings was the most sensational event in the history of Indian debates in the British legislature. But an attempt to impeach the Marquis of Wellesley received very scanty support. These debates were mainly political in character, though incidentally they involved financial questions. Discussions of a purely financial nature were not, however, unknown. In 1789, Henry Dundas, on behalf of the India Board, presented before the House of

¹ The object which the Government had in view was made clear by the Governor-General in a Minute dated the 3rd November, 1800. He wrote : " With a view to remove the mercantile part of the community from their present embarrassments, and to discharge punctually their respective demands on the Government, the Governor-General proposes to issue bills in the following mode and to serve as a circulating medium during the scarcity of specie." MS. Records of the Government of India.

Commons his first financial statement relating to India. In 1793, on the eve of the renewal of the Company's charter, he laid before the House a full statement of the Company's affairs at home and abroad, and submitted a series of resolutions.¹ For several years after the passing of the Charter Act of 1793, annual financial statements were presented to the House of Commons, and resolutions were moved on the finances of India. There was, however, no reality about these statements and resolutions. The speeches of the President of the Board of Control were generally prepared by the clerks at the India House. They were sometimes not delivered at all, but copies were made over to the Parliamentary reporter. Nor were the resolutions of any real value, they being nothing more than mere assertions of facts deducible from the accounts laid on the table of the House. No interest was excited, and no real discussion took place. The practice, therefore, ceased early in the nineteenth century, and was not revived till after the lapse of nearly half a century. In 1854, a financial statement was presented by the President of the India Board before the House of Commons. It related to transactions which had taken place more than two years previously. Though Sir Charles Wood made his speech in a thin House, he availed himself of the opportunity to place before the country the official view of the situa-

¹ Auber, *Analysis of the Constitution of the East India Company*, p. 520. These resolutions, it seems, were agreed to without a division.

tion in India. The debate which followed was useful in so far as it enabled the few members who took an interest in Indian affairs to express their views on the financial position of the country. The resolutions which were adopted related to past accounts, and were purely formal. No motions were made with reference to any estimates of revenue and expenditure for the year about to commence.¹ The same procedure was followed in 1855. But, on this occasion, in view of the unsatisfactory nature of the whole arrangement, John Bright moved the following resolutions :

“ That in the opinion of this Committee, with a view to bring the state of the finance more clearly before Parliament, it is desirable that the Board of Control for the affairs of India should consider the practicability of laying before Parliament in each year a complete statement of the receipts and expenditure of the Indian Treasury up to the 30th day of April, during the preceding, with an estimate of the anticipated receipts and expenditure for the current year.”

“ That this Committee is, further, of opinion that, in order to afford a fair opportunity for a consideration of the statement on Indian finance, now annually submitted to the House by the President of the Board of Control, it is desirable that, in future, the annual statement should be made at such a period of the

¹ The first resolution ran thus : “ That the revenues of the Bengal Presidency for the year ended on the 30th day of April, 1852, amounted to £7,584,435, and the charges thereof for the same period, other than military charges, amounted to £1,926,362.” The other resolutions were of a similar character. *Vide* Financial Statement, 1854.

session as shall permit of its receiving the attention which its importance demands.”¹

These resolutions were accepted by the House of Commons. No real improvement, however, took place in the following year, which was the last occasion on which a financial statement was made under the old system.²

Parliamentary control over the administrative work of the country was, as we have seen, exercised through the India Board created in 1784. The share of the Board in the governance of India was from the beginning an effective one, and it steadily increased with the progress of time.³ All financial despatches to and

¹ Debates in the House of Commons on the Financial Statement relating to India, 1855.

² No Financial Statement was presented in 1757 on account of the Mutiny.

³ T. P. Courtenay, who had occupied the position of Secretary to the Board for nearly sixteen years, described the duties of this body in the course of his evidence before the Select Committee of 1832-33. He observed: “From the familiar use of the term Board of Control it has been supposed that this Board is merely to check, on great occasions, the proceedings of the Court of Directors; but the terms of the Act and of the oath appear to me to impose upon the Board the duty of governing India to the best of its judgment and ability, and as fully as if there were no subordinate Court.” As a matter of fact, instructions to the Indian authorities in regard to matters of the highest importance often originated in the Board of Control, and sometimes despatches were sent through the Secret Committee of the Court of Directors without being communicated to the whole Court at all. The India Board exercised no control over the purely commercial transactions of the Company.

The Board of Commissioners for India originally consisted of six members of the Privy Council. None of them received any salary. In 1793, the Board was widened by the inclusion of two members not belonging to the Privy Council. It was also enacted that the Commissioner first named in the letters patent should be the President and receive a salary. By the Charter Act of 1833, the constitution of the Board was amended so as to include a number of ex-officio members. The Board transacted business at meetings during the early years of its existence, but gradually meetings became more and more rare. From 1816 no meetings were held, but papers were signed in circulation. The actual work of the Board was performed by the President and the Secretary.

from India were placed before the Board by the Directors. It had full control over the appropriation of revenues. In particular, its approval was needed for any increase of salaries beyond £200 a year, and its confirmation was necessary for the payment of gratuities above £600. After 1813, no orders or instructions relating to the application of revenues to investments might be sent to India until approved by the Board. The levy of taxes in India sanctioned by the Court of Directors required the approval of the Board.

Two of the most important departments of the India Board were those of Accounts and Revenue. The duty of the former was to examine the Company's accounts at home and abroad, to preserve the separation between the accounts of the territorial and commercial branches prescribed by the Act of 1813, to report to the Board on financial questions as they arose, and to control the correspondence between the Court of Directors and the governments in India, relating to territorial finance, commercial finance, currency, and exchange. The following matters were, in particular, considered in this department: The various heads of revenue and expenditure in all their details, the loans and other means adopted for the supply of the treasuries in India, the remittances required for the repayment of territorial advances by the Home Treasury, the appropriation of the surplus funds, the working of banks in India, the conduct of the mints and the coinage, the regulation of

the numerous retiring and compassionate funds for the benefit of the military and civil services, and the management of the funds permanently or temporarily deposited in the Indian Treasuries. All information of a financial character received from India, including reports from the Accountants-General and records of the proceedings of the governments, was placed before this department, and it had power to call for further information whenever necessary. Financial instructions proposed to be issued to the Presidency Governments were first submitted to this department, and it made its observations on the method of keeping accounts. The business transacted in the Revenue Department related principally to the revision of despatches proposed to be sent to the several governments in India concerning the adjustments of land assessments, the realisation of the revenue so assessed, and the general operation of the revenue regulations on the condition of the people. Besides the land revenue, the proceedings of the governments in India in the salt, opium, and customs departments, came under periodical revision.¹

The financial authority next to the Board of Control was the Court of Directors of the Company. This body directed the financial policy of India in great detail. Although subject to the India Board, the Directors possessed large powers. In ordinary cases, all proposals originated with them, particularly in

¹ *Vide* Evidence recorded by the Select Committee, 1832-33.

regard to grants of money. The Board had the power to refuse or reduce grants proposed by the Court, but not to increase them ; nor was it competent to make new grants. All appointments rested with the Court. No duties imposed in India were valid until sanctioned by the Directors and approved by the Board.¹ The treasury of the Company in England was under the entire control of the Directors till 1833, when the Board was given power of supervision over it. Some matters, such as the grant of a gratuity exceeding £600, or the creation of a new office carrying a salary of £200 per annum, or the payment of an additional salary exceeding £200 a year, required the approval of the Court of Proprietors. But no order or resolution of the Court of Directors concerning the revenues of India which had been approved by the Board of Control, was liable to be rescinded or varied by the Proprietors.²

The various sorts of accounts received from India underwent an elaborate examination at the India House, and statements were prepared for presentation

¹ Section 25 of the Charter Act of 1813 ran thus : " And be it further enacted that no new or additional imposition of any duty or tax upon the export, import, or transit of any goods, wares, or merchandise whatsoever, made or to be made by authority of the Governor-General or Governor in Council, of any of the said Company's presidencies or settlements in the East Indies or parts aforesaid shall be valid or effectual until the same shall have been sanctioned by the Court of Directors of the said United Company, with the approbation of the said Board of Commissioners."

² Charter Act of 1793. As Auber rightly points out, although the Court of Proprietors ceased to interfere with the origination or progress of measures connected with the administration of India, they might be considered to have delegated, not abandoned, their right. *Analysis of the Constitution of the East India Company*, p. 351.

to Parliament. The department was under the charge of an Accountant-General. The accounts were checked under the supervision of the Auditor of Indian Accounts, whose duty it was to ascertain whether all the revenues were collected and whether the receipts of the Treasury agreed with the collections. He had also to satisfy himself that none but authorised disbursements were brought to account. The detailed financial business of the Court was conducted through two of its committees, namely, the Committee of Accounts and the Committee of the Treasury.

In 1834, three new Committees were established, namely, (1) Finance and Home, (2) Political and Military, and (3) Revenue, Judicial and Legislative. The functions of the Finance and Home Committee included all financial correspondence with India, the management of the Indian debt, correspondence with the departments of the British Government on financial objects, Bills of Exchange on or from India, the provision for dividends, the audit of the India and home accounts, and all matters connected with the establishment in England, including the superintendence of the Treasury. The work of the Revenue, Judicial and Legislative Committee related, among other things, to correspondence with the revenue department of the Government of India.

One of the main defects of the financial system of the Company was the excessive dependence of the governments in India on the authorities in England.

The former had to deal with the exigencies of income and expenditure as they arose, and were primarily responsible for carrying on the financial as well as the administrative work. But their powers were extremely limited. An illustration is to be found in the correspondence which passed between the Court of Directors and the Government of Bengal in the years 1823 to 1828. In 1823, the Governor-General in Council of Bengal expected a surplus in the budget of the next year, and intimated to the Court his desire to devote a portion of it to the amelioration of the condition of the people, the extension of useful knowledge, and the execution of public works in the country.¹ The Directors, in the course of their reply, reminded the Bengal Government that the existence of a surplus could only be ascertained in England by a combination of the foreign and home accounts, and that, when so ascertained, the mode of its application was by law vested in the authorities in England. The Court observed: "The Government of India must be administered under our immediate orders and directions, and that the adoption of any measures of importance, without our previous sanction, is an exception from a general rule, and can only be justified in cases where the public interests would not admit of the lapse of time which a reference to England would occasion." The Directors gave positive instructions to suspend the execution of all the plans which had

¹ Letter from Bengal, dated the 19th June, 1823.

been adopted in India, and threatened that any failure of compliance in future with these orders would call forth their severe displeasure. The letter concluded with the remark : “ Whatever may be the amount of the surplus revenue, it is no part of your duty to appropriate it ; indeed, it is not possible that you should be aware of its existence.”¹

The Bengal Government immediately complied with these orders. In their despatch of the 19th October, 1826, while disclaiming any intention of pursuing a course of action independently of the Court, they demurred to the view that the adoption of any measure of importance without the sanction of the Court must be an exception to the general rule. They pointed out that Parliament, by particularly defining the matters requiring a special reference to England, had, by implication, left the other acts as legitimately belonging to the Indian Government, from which it was to be inferred that “ in all the ordinary though important functions of civil government, the Governor-General in Council was expected and required to adopt, under the solemn responsibility which attaches to the possession of extensive powers, and subject to the control and direction of your honourable Court, such measures as might appear to be required for the public good.”²

The Directors sent a rejoinder in which they said :

¹ Territorial Finance Despatch to Bengal, dated the 24th February, 1824.

² Territorial Finance Letter from Bengal, dated the 19th October, 1826.

“ Our opinion is precisely the converse of that with which you appear to be impressed. The whole superintendence of the administration of India is by law vested in the Court of Directors, subject to the control of the Board of Commissioners for the Affairs of India, and, excepting a few instances in which the power is specifically given to you, you have no authority to originate any measures but that which you derive under our orders, and from the discretion which must necessarily vest in you to act according to the pressure of circumstances.”¹ The Court concluded the despatch with these significant words: “ We now explicitly inform you, that reference to England upon all matters of importance involving change of principle or increase of establishment and expense of large amount, is to be the general rule by which you are to be guided, and from which you are not to depart except in cases in which the public service obviously and urgently calls for greater promptitude of action than would consist with the delay of such a reference. This is the criterion by which your responsibility will be judged by us, and by which alone you would be justified in acting without our previous sanction.”²

A strict adherence to a procedure here insisted on would have resulted in a cessation of all administrative

¹ Letter from the Court of Directors to the Governor-General in Council of Bengal (Financial Department), dated the 24th September, 1828.

² *Ibid.* It is clear that these instructions deprived the governments in India of their initiative in most matters.

activity. But the difficulty was minimised by the adoption of a system of delegation which enabled the Governor-General in Council to incur expenditure up to a maximum fixed by the British authorities. This, however, was no real solution. As late as 1853, Sir Charles Trevelyan said : " That the Government of India is kept in a state of tutelage will be apparent to anybody who reads the general letters which the Company occasionally send to their governments in India on finance. In these letters the Company take a general view and point out what ought to be done, in each report ; and then they call upon the Government of India to do it, often long after the time has passed when it might have been effectually done, and after a great deal of loss has been incurred which might have been prevented if it had been done on the spot at the proper time." It was felt in India that the system was injurious to the interests of the country. The view was expressed in evidence before the Select Committee of 1853, that it would be more convenient and equally advantageous to the financial interests of the State if the Governor-General in Council were left more free in the exercise of his financial powers than had been the case in the past. Apart from the general tightness of outside control, there were certain items of expenditure, such as the Indian Navy, which were kept entirely out of the hands of the Government of India.¹

¹ *Vide* evidence of Sir T. H. Maddock before the Select Committee, 1852-53. Sir Thomas remarked : " I confess I have never been aware of any argument which would convince me why, while every other branch of expense, while

Till the year 1833, the finances of the three Presidencies of India were kept, to a large extent, distinct and separate. The Governments of Bombay and Madras were largely independent of the Government of Bengal in the exercise of their financial authority. The revenues of one Presidency were, however, often employed in meeting deficits in the other Presidencies. The Governor-General in Council in the case of Bengal, and the Governor in Council in Madras or Bombay, possessed authority to impose taxes and duties and to incur expenditure, subject to the control of the Court of Directors and of the India Board. The special power vested in the Governor-General and the Governors to act without the concurrence of their Councils in certain circumstances did not extend to the imposition of taxes or duties.¹

By the Charter Act of 1833, a centralised system of administration was established for the whole of the country. The Governor-General of India ² in Council was invested with full power of control over the finances of the subordinate governments.³ These latter were precluded from creating any office or

every other establishment, naval, military and civil, is under the control and authority of the Governor-General in Council, this one department should be free altogether from the control of the Indian authorities."

¹ By an Act passed in 1814 the power of levying duties and taxes by the governments in India was confirmed. It was further enacted that all duties, taxes, fines, etc., should remain in full force and effect until they should be repealed, altered, or varied. *Vide* Auber, *Analysis of the Constitution of the East India Company*.

² Till the year 1833, he was Governor-General of Bengal, and not of India.

³ The financial department of Bengal was kept for the time being directly under the Government of India. The Accountant-General for India was

spending any money without the previous sanction of the Supreme Government, by whom every financial measure of importance was determined. While the uniformity of system introduced by the Act was a desirable change from one point of view, the policy of centralisation was carried too far. The result was that the provincial governments were greatly depressed. They collected the revenue, but had little voice in its expenditure. The new system thus tended to destroy their sense of responsibility, and proved harmful to the cause of economy. The Central Government had no effective means of checking the expenditure. Nor did it know for certain what expenditure was judicious and what was inadvisable. The restrictions on the powers of the provincial governments also operated injuriously in other ways. They multiplied correspondence and created delays and obstacles, particularly in regard to measures devised for the improvement of the country. Lord Elphinstone, who had had considerable experience as a provincial ruler, suggested, in the course of his evidence before the Parliamentary Committee of 1852-53, that while the supreme control of the finances might continue in the hands of the Governor-General in Council, all details should be left to the provincial governments.¹

also the Accountant-General for Bengal. The Mint in Calcutta and the Bank of Bengal were also managed for some time by the Government of India. *Vide* Evidence recorded before the Select Committee, 1852-53.

¹ With regard to the changes made by the Act of 1833 in the relations of the subordinate Presidencies to the Supreme Government, he said: "I think

A few words may be said about revenue and financial administration. A Select Committee of the Council existed in Bengal in 1765. After the acquisition of the Diwani the collection and management of the revenues were entrusted to this body.¹ A Controlling Committee of Revenue, consisting of the President and four members, was formed in 1771. The entire work of the revenue department was vested in this Committee. It did not, however, live long. When, in 1772, the Company decided to "stand forth as Diwan," it was arranged that the President and Members of Council should form themselves into a Council of Revenue. This Council performed all functions relating to revenue matters till it was merged in the Governor-General and Council in 1774, who transacted financial business in a revenue department. In 1786, under the orders of the Court of Directors, it was decided that the Governor-General in Council should carry on the work of administration through four Boards. One of these was the Board of Revenue, which was entrusted with the settlement,

the effect upon the subordinate Presidencies has been, upon the whole, very injurious. I think it has lowered the character of those Governments in public estimation, and damped and depressed the zeal of public servants under those Presidencies. It has also led to considerable delay in the ordinary transaction of business."

¹ On the 12th January, 1769, the Court of Directors wrote: "They (the Select Committee) are to superintend the collection of the revenues arising from the Diwani, but without the power of disbursing them, nor do the revenues arising from the Company's other possessions fall under this jurisdiction."

For an account of the intermediate and subordinate revenue authorities see Chapter IV.

collection, and administration of every branch of revenue.¹ Besides its ordinary functions, the Board was constituted a court of review and of appeal in revenue matters from the decision of the Collectors.

Lord Cornwallis introduced important changes into the system. He annulled the judicial powers of the Board of Revenue in relation to revenue matters and transferred them to the Diwani Adalat. The duties of the Board were prescribed in full in Regulation II of 1793. In it was vested the general control over the collectors of land revenue. They made periodical reports to the Government on the state of the revenues, and their proceedings in detail were transmitted through the Government to the Court of Directors.

Some changes took place in the Revenue Department in later years. In 1809, a separate Board of Revenue was established for the Ceded and Conquered Provinces. The administration of customs, salt and opium was separated in 1819 from land revenue, and placed under a separate Board.² It consisted of two members, and was vested with all the duties, powers and authority previously possessed and exercised by the Board of Revenue with regard to customs and town duties, and also with the powers possessed and exercised by the Board of Trade in the salt and opium

¹Two other Revenue Boards and a Board of Customs were subsequently formed.

²Resolution of the Governor-General in Council dated the 10th December, 1828.

departments. It was found that these Boards were able neither to exercise adequate supervision over the executive officers of the districts nor to afford the Government that aid in the administration of revenue affairs which was indispensably necessary. Therefore, in 1829, Commissioners of Revenue and Circuit were appointed to superintend the affairs of groups of districts. They were to work under the general control and direction of a Sadar Board of Revenue, consisting of two members to be stationed ordinarily at the headquarters of the Presidency.

The divided management of the revenues of the province was found unsatisfactory in principle and inconvenient in practice. The method of administration by two members was hardly conducive to the speedy disposal of business, for whenever there was any difference of opinion on any matter it had to be referred to the Government. In 1850, Lord Dalhousie wrote a Minute in which he recorded his conviction that the management of the large revenues of Bengal would be more simple, more economical, and productive of much less correspondence and record, and attended with far fewer references to the government, if the separate Boards were abolished and the whole of the revenues were administered by a single body called the Revenue Board consisting of three members. Similar opinions were expressed by experienced officers of the Governments of Bengal and India. Accordingly, by Act XLIV of 1850, the two Boards were amalgamated,

and the new Board was styled the "Board of Revenue for the Lower Provinces of the Presidency of Bengal."

The unit of revenue administration in Bengal was the district. In 1769, Supervisors were appointed as officers in charge of definite tracts of country. In 1772, their designation was changed to that of Collectors. In 1786, the province was divided into twenty-four districts. A Collector was placed at the head of each district, who not only executed all details of revenue work under the direction of the Board of Revenue but was vested with judicial and administrative powers. In 1793, the Collector was divested of his magisterial authority, but he was given powers to enforce the collection of arrears of land revenue by attachment and sale of the defaulter's property or imprisonment of his person. The Collector assessed the tax imposed on spirituous liquors and intoxicating drugs, superintended the division of the landed property paying revenue to the government, fixed the public revenue on land ordered to be sold for the discharge of arrears of revenue, disposed of the amount of his collections under the orders of the Accountant-General, kept the periodical accounts and transmitted them to the Board of Revenue, and generally performed whatever duties were required of him by public regulation or by special orders from the Board of Revenue. He was also in charge of the district treasury. The Collector acted under the restraint of an oath prescribed by Parlia-

ment. His establishment included one or more European assistants belonging to the Covenanted Service, a Diwan appointed by the Board of Revenue, and other Indian officers. If a district was large, it was divided into subdivisions, which were placed under the charge of *Tahsildars* acting in a capacity subordinate to the Collector.¹ When Commissioners of Revenue and Circuit were created, Collectors were made subordinate to them.

The system of revenue administration in Madras was slightly different from that adopted in Bengal. In 1786, a superintendent of revenue inspection was appointed, who was to be assisted by revenue inspectors in the districts. The office of superintendent was, however, of short duration. In 1787, European Collectors were appointed to manage the *haveli* lands, who acted under the immediate authority of the Board of Revenue. This measure excluded the powers of the provincial chiefs and councils from the *havelis*. This

¹ The regulations framed in 1787 for the conduct of the Collectors contained certain preliminary observations from which the following is extracted: "Among other qualifications required in those who occupy the stations of Collectors of the revenue, a knowledge of the languages of the country seems indispensable. A general acquaintance with the customs of the country and the state of the people, with minute information on the local peculiarities of the districts they are appointed to superintend, are also essentially necessary. Every Collector, exclusive of the official records he is bound to keep, should compile a distinct account of the different *parganas* under his charge, noticing under each whatever relates to it, such, for instance, as the real and comparative state of the cultivation and population of it, the rates and rules of assessments, and account of the conduct of the zemindar or farmer towards his under-tenants, the number of talukdars, the nature of the produce and peculiar usages in it, and the increase and decrease of the population, with such other remarks and observations as must arise from the business before him." Harington, *Analysis of the Bengal Regulations*.

cial,' and 'Separate' Departments. The 'Revenue' Department was placed under the charge of the Judicial Secretary, and the 'Financial' and 'Separate' Departments were placed under the control of the General Secretary.¹ After the passing of the Charter Act of 1833, a re-grouping of the various departments took place, finance and revenue falling into different groups. The Finance Department remained under the Public Department. Apart from this anomaly, there was a serious defect in the system of financial administration. There was no annual comparison of the whole of the income with the whole of the expenditure, nor any scientific treatment of the two sides of the account. The financial embarrassments of the government led to the appointment of Finance Committees from time to time, to consider the growth of expenditure or suggest improvements in financial procedure. These bodies generally did excellent work, and often made valuable suggestions for economy and retrenchment. Not unoften, they pointed out serious defects in the administration of the finances. In 1844, for instance, the Bengal Finance Committee observed that their work had been greatly hampered by the imperfections of the public accounts. They pointed out that not only was there a want of uniform system in the compilation of books of receipts and disbursements, but many inaccuracies were to be found in the accounts

¹ The financial administration of Bengal was at this time carried on by the Government of India.

themselves. These Finance Committees were, however, temporary bodies, and they did not possess any executive powers. The need of permanent machinery was keenly felt, with the help of which the financial activities of the various departments might be viewed in relation to one another, and an effective control exercised over public expenditure.

In 1842, Lord Ellenborough, then Governor-General of India, expressed his opinion that, in order to ensure economy in financial administration, a very material modification of the system was necessary. He pointed out that there was no one officer charged with the duty of viewing the expenditure of the State as a whole, and of considering every item of expenditure not by itself alone but with reference to the total charge upon the revenues. "Without this concentration of duty and authority in a really responsible officer," he added, "I have no hope of giving permanence to the influence of economical principles in the financial administration of India, or of even dealing satisfactorily with the details of expenditure. Moreover, all the official details, which in England come before the First Lord of the Treasury, the Secretaries of State, and the Secretary for War, and many minute details which never come before these high officers in their respective departments, as well as many other details connected with inferior departments of the Government, are at Calcutta all brought before the Governor-General sitting in Council, by the several Secretaries and

Assistant Secretaries, and not one of whom can be considered responsible, as in England, for the efficient performance of his duty.”¹ Accordingly, a Financial Secretary was appointed in 1843, but the financial department which was established was hardly worth that name. What was really wanted was the appointment of a Finance Member of the Governor-General’s Council, specially chosen for his financial knowledge and ability, who would be in touch with all the departments of administration, be able to consider the revenue as well as the expenditure of the Government as a whole, and possess sufficient authority to see that his instructions were carried out.²

Another urgent need was the introduction of a budget system. In 1853, Sir Charles Trevelyan suggested a plan for the extension of the English budget procedure to India. He said : “ First of all, I would revise the annual estimate of each of the Presidencies, dividing each branch of the expenditure, judicial, military, public works, and so forth, under suitable principal and subordinate heads. When the Governor-General, with the assistance of his Executive Council, has so revised the income and expenditure of the whole

¹ Financial Despatch, dated the 7th August, 1842. He observed further : “ The commanding interests and importance of great political and military measures may secure for them a due portion of attention, but the ordinary business of the government cannot be adequately performed ; and there is no part of that business which is necessarily liable to be inadequately performed as that which has relation to the numerous small charges which together constitute the great burden upon the finances of the State.”

² Debate in the House of Commons, 1856.

of India for the ensuing year, I would propose that he should lay his budget before the Legislative Council, comprehending the Executive and Legislative Members of the Government; that the estimates should be examined into and discussed and voted, item by item; that the result of the votes should be incorporated in an Appropriation Act; that the Appropriation Act should be the law for the ensuing year." It was not, however, till the year 1860 that a budget system was adopted, and even then in a form very different from what was advocated by Sir Charles Trevelyan.

In each Presidency, the civil accounts department was under the control of an Accountant-General. He received monthly reports of the income, expenditure, and balance in each district. It was his duty to keep a watchful eye on the treasuries throughout the province. He also supervised all loan transactions. In Bengal, the office of Accountant-General of the Diwani was created in 1772. With the constitution of the Board of Revenue in 1786, this functionary became also the Accountant-General to the Board of Revenue. In 1788, a separate office of Deputy-Accountant-General and Accountant to the Board of Revenue was created under the direct control of the Accountant-General. In 1834, the Accountant-General of Bengal became also the Accountant-General to the Government of India. In his latter capacity, he was in charge of the accounts of the offices of the central government, including the

political treasuries, the post-office, and the telegraph department. His duties also consisted in supervision of the accounts of all the provincial governments, consolidation of these various accounts, preparation of the annual Financial Statements, and exercise of control over all accounts officers and all questions relating to accounts.

In 1846, the accounts of the Bengal Government were separated from those of the Government of India. The office of Accountant-General of the Bengal Presidency was abolished, and the Secretary to the Government of India in the Finance Department became *ex-officio* Accountant-General of India, with power to supervise and examine the India Accounts and to exercise complete control over the loan operations. The duties which had till then been performed by the Accountant-General of Bengal were entrusted to an officer styled the Accountant to the Government of Bengal. This officer was given also the status of *ex-officio* Deputy Accountant-General and Accountant in the Military Department, so as to relieve the Financial Secretary in his capacity of Accountant-General of India from that portion of administrative work which consisted of communications with civil and military officers respecting accounts, certificates, etc.¹ The chief accounts officers of provinces

¹ Savings banks, the mint, stamps, the post office, and such other branches of accounts as were generally of a local character were left in the hands of the Bengal Government. Proceedings of the Council of India, dated 27th March, 1846. MS. Records of the Government of India.

other than Madras and Bombay were also styled Accountants.

In 1857, it was decided to assimilate the systems of accounts in all the provinces. Accordingly, a General Department of Account was formed in 1858, consisting of the offices of Audit, Pay and Account at the several Presidencies and provinces. This Department was placed under the control of the Accountant-General to the Government of India, and in direct subordination to the Governor-General in Council.¹

In the accounts section of the military department a circuitous mode of conducting business prevailed. There were large establishments in the different provinces, consisting of controllers, military accountants, examiners and paymasters, assisted by subordinate officers and clerks.² After the creation of the Finance Department in 1844, the military accounts were placed under its control.

The accounts in India were kept in the forms of double entry, journals and ledgers. In the earlier days, the system of keeping accounts was very im-

¹ The main object was to secure at all times a succession to the higher offices of account (including treasury and audit) of persons specially trained for the duties, and thoroughly conversant with this branch of public business, who might be drafted, as occasion would require, to the several Presidencies. *Vide* Proceedings of the Governor-General in Council, dated the 14th November and 4th December, 1857. MS. Records of the Government of India.

The qualifications specially needed in the officers comprising a General Department of Account in India were now declared to be, in addition to the ordinary acquirements of proficiency in book-keeping and the science of account, "the knowledge of Political Economy in its application to this country, and a practical acquaintance with the habits of the people and the working of revenue systems of the country."

² Foster's Report relating to Indian Accounts, 1866.

perfect. Mistakes often occurred in the books, and defalcations were not unknown. Gradually, however, the system was improved, and various checks were introduced. It was stated in 1832 that the accounts were kept with all the attention to accuracy which characterised "book-keeping in the counting-house of a merchant."

There was, however, a great deal of complexity in the accounts. The postings in the books were voluminous and unmethodical. The system was overlaid with so many checks and counter-checks, and with such minute adjustments between services, provinces, and districts, that the audited accounts and the books in which they were posted fell into great arrears. Another source of evil was the 'inefficient balance.' All irregular payments were carried to this head, and left there, sometimes for years. Large sums were thus kept out of account, and heavy losses were often incurred which might have been avoided if every payment had been at once brought into the accounts.¹ Nor was the cash in the treasury compared with the stated balance as frequently as was necessary. In this regard, there existed a real difficulty until 1833. There being no common treasury in which the balance of all receipts and disbursements would ultimately centre, the computed financial result of any given period could not be readily checked and verified by a corresponding result

¹ Foster's Report relating to Indian Accounts, 1866.

in the balance of cash. The difficulty was not removed by a statement of the receipts and disbursements of the separate treasuries ; for a large amount of floating and unadjusted debits and credits between the different Presidencies occasioned a want of correspondence between the excess or the deficit of receipts and disbursements and the increase or diminution of the cash balances.¹

The accounts were regularly audited in India. There was a Civil Auditor in each province, who was assisted by a suitable subordinate staff. The audit system was not free from defects. Pre-audit led to long delays in payment. Besides, the system was not of an independent sort, the audit officers being subordinate to the Governor-General in Council.

Moneys received on account of the government in the *muffassal* treasuries and other offices were transferred to the treasury at the headquarters of each Presidency. The General Treasury in Bengal had been established before the grant of the Diwani, and it continued to exist till 1862. It was purely an office for the receipt and disbursement of money. With regard to receipts, the practice was that each remittance was accompanied by an invoice, and the sum mentioned therein was entered in the account books. In the matter of disbursements, the usual course was to issue money on an authority from the

¹ Memorandum on the Finances of India. Appendix No. 2 to the Report of the Select Committee, 1832-33.

government, taking receipts from the persons to whom the money was paid, which receipts were filed in the office as vouchers in support of the expenditure.¹

In 1775, a Committee of the Treasury, consisting of two members of the Governor-General's Council, was formed, and they were charged, jointly with the Governor-General, with the custody of all the moneys in the General Treasury. The Treasury itself was in charge of a Sub-Treasurer who was immediately responsible to the Committee. The members of this body took effective measures to guard against any embezzlement.² The Committee of the Treasury, however, did not last very long. The Sub-Treasurer became afterwards directly responsible to the Governor-General in Council.

No small amount of confusion often arose from the fact that accounts were kept, in some cases in *sicca* rupees, in others in Company's rupees, and in a third class of cases in *sanwat* rupees. For the purpose of presentation to Parliament, the accounts were converted into pounds sterling at the rate of 2s. the *sicca* rupee³ (equal to 1s. 10½d. the Company's rupee).

¹ Consultations of the Governor-General and Council, dated the 1st February, 1775. MS. Records of Bengal.

² Two members of the Council, namely Barwell and Francis, were asked to examine the balance of the treasury every month, and each of them was allowed a *shroff* and a civil servant as assistants. MS. Records of Bengal.

³ The exchange-rate, of course, differed at different times. Thus the *sicca* rupee was sometimes worth 2s. 2d., and at others only 1s. 10¼d. But in the government accounts, the 2s. rate was adopted for the purpose of conversion. During the last few years of the Company's rule, Bills on India were sold at the following rates: 1851-52, 2s. 144d.; 1852-53, 1s. 11·904d.; 1853-54, 2s. 145d.; 1854-55, 1s. 11·141d.; 1855-56, 2s. 159d.; 1856-57, 2s. 178d. (Company's rupee).

From 1834, the accounts were presented to Parliament in rupees so far as related to transactions in India, and in pounds sterling for transactions in England, a general abstract being given in which the rupees were converted into sterling money at the above-mentioned rate and the final surplus or the deficit was stated in pounds sterling. The accounts showed on one side the net revenue, after deducting from gross receipts the charges of collection, refunds, and drawbacks, allowances and assignments under treaties, and allowances to village officers, etc., and on the other side the general charges of administration.

The accounts were presented in their old form till the year 1853-54. It having been considered, however, that this form called for revision, separate returns were also made, in compliance with the orders of the House of Commons, for 1851-52, 1852-53, and 1853-54, in which there were statements showing the total income and expenditure, including in the latter the direct claims on the revenue. Statements of net income were also given. In the accounts for 1854-55 the form of these returns was adopted in place of the old form, rupees being converted into sterling at the exchange of 1s. 10½d. the Company's rupee.¹ Changes in the method of conversion often led to considerable confusion, and discrepancies sometimes occurred in the accounts and financial statements. Besides, com-

¹ Parliamentary Paper No. 279 of 1880.

By this change the income and expenditure were apparently increased by ⅓th, or upwards of £2,000,000.

parisons between different periods were rendered fallacious.

This brings us to the question of the currency of India. In pre-British days, there was no uniform currency in India. Every prince had his own coinage. The result was that the currency differed, not merely from province to province but from district to district. In Bengal, there were three mints, namely, those at Patna, Dacca, and Murshidabad. These mints were abolished soon after the commencement of the Company's administration, and the coinage was confined to the mint established at Calcutta. The most important silver coin of the province was the *sicca* rupee. But as the rupees struck in different years bore different inscriptions, several sorts of the *sicca* rupee were in actual circulation. This led to much confusion and inconvenience. Therefore, in 1773, the government decided that all rupees coined after that date should bear the impression of the nineteenth year of the reign of Shah Alam.¹ By regulations enacted in 1792 and 1793, the *sicca* rupee of the nineteenth year, containing $179\frac{2}{3}$ grains (troy weight) of silver, was declared as legal tender throughout the provinces of Bengal, Behar and Orissa. It was also ordered that all engagements with the government were to be made in this coin.² The regulations provided for the

¹ Although the right of coinage had been obtained by the Company from Parliament, the coins which were issued by the Company's mints during the first seventy years bore the inscriptions of the Moghul Emperor. It was not until 1835 that the coins were struck with the King's medallion.

² Regulation XXXV of 1793.

establishment of mints at Patna, Murshidabad, and Dacca, but this provision was withdrawn in 1794.

Though the nineteenth year *sicca* rupee gradually established itself as the principal coin of Bengal, other sorts of rupees of different values continued to circulate at varying rates of discount for a long time, particularly in the remoter districts. Two of these kinds deserve mention, namely, the *sanwat* rupee and the current rupee. The former was used in the military accounts. The current rupee was a misnomer, for no coin of that denomination existed. It was an imaginary coin, adopted as the money of account, its value being taken at the rate of 116 to 100 *sicca* rupees.

In the north-western provinces, the Lucknow, Benares, and Farukhabad rupees had the largest circulation. Several regulations were enacted—of which the most important were Regulation III of 1806 and Regulation IV of 1807—for determining the rates at which the different sorts of rupees were to be received and issued by the government in these provinces. In Madras, various coins originally circulated, but gradually the Arcot rupee minted at the Presidency town superseded the other coins. The Bombay rupee was, in the beginning, a trifle less valuable than the Madras rupee ; but, in 1818, it was put on a footing of equality with the latter.

Although the Court of Directors suggested a uniform coinage as early as 1806, no practical steps were taken

until the lapse of more than a quarter of a century. An insistent demand for a uniform currency was made in the course of evidence tendered before the Select Committee of 1832-33. It was urged that such a system would generally benefit the government, the public, and the trading community. Accordingly, by Act XVII of 1835, a uniform silver currency was established for the whole of India. This Act provided that the following silver coins only should be coined at the mints within the territories of the East India Company: a rupee, denominated the Company's rupee, a half rupee, a quarter rupee, and a double rupee. The weight of the Company's rupee was fixed at 180 grains troy, containing 165 grains of pure silver and 15 grains of alloy. This rupee (together with the half rupee and the double rupee) was declared the only legal tender in satisfaction of all engagements, and it was ordered to be received as equivalent to the Bombay, Madras, Farukhabad, and *sanwat* rupees, and to fifteen-sixteenths of the Calcutta *sicca* rupee.¹

A gold *mohur* was in existence in Bengal at the time of the acquisition of the Diwani, but it was not considered a legal tender; nor was the value of it, as compared with the rupee, fixed by the government. In 1766, the *mohur* was declared a legal tender, and it was ordered to pass for fourteen *sicca* rupees. But as the gold content of the *mohur* was of less value, it was

¹ Act XVII of 1835.

By Act XXI of 1835, a uniform copper currency (consisting of a pice, a double pice, and a pie) was adopted for the whole of the country.

found impossible to render it current. A new *mohur* was issued in 1769, which was directed to pass as legal tender for sixteen *sicca* rupees. Regulations enacted in 1792 and 1793 provided for the issue of a gold *mohur* of 190·894 grs. (troy weight). The relative value of gold in the market, however, rose above the mint rate, and, for all practical purposes, it ceased to be current.

Madras, at the commencement of the Company's rule, maintained a gold standard, the principal coin being denominated the *pagoda*. It was current at the rate of three and a half Madras rupees. In 1806, the Directors expressed their desire to establish the silver rupee as the principal measure of value and the money of account, though they did not wish to drive gold entirely out of circulation. In 1818, the *pagoda* was replaced by the silver rupee as the standard coin of the Presidency. Act XVII of 1835 declared that no gold coin should henceforward be a legal tender of payment in any of the territories of the East India Company. A monometallic standard was thus adopted in India.

The currency policy of the Company, however, was always characterised by vacillation and inconsistency. In 1814, the public treasuries were, by a proclamation, instructed to receive gold *mohurs* at the rate of fifteen rupees for a *mohur*. The Act of 1835, while demonetising gold, authorised the coining of gold *mohurs* or fifteen-rupee pieces, ten-rupee pieces, and five-rupee pieces. By a proclamation dated the 13th

January, 1841, officers in charge of public treasuries were empowered to receive freely gold coins struck under the provisions of the Act mentioned above at their denominated value. It is not clear, however, what object the Government had in view in thus engaging to receive coins which were not a legal tender. It was not long after this proclamation that extensive discoveries of gold in Australia produced the effect of diminishing its value relatively to silver. The holders of gold coins in India availed themselves of the opportunity of obtaining at the government treasuries a larger price in silver than they could obtain in the market. The provision thus proved a source of embarrassment to the Government of India.¹ In 1851, the Directors expressed in a despatch to the Government of India the view that the proclamation of 1841 was not intended to be obligatory, but the latter held a different opinion as to its purpose. Consequently, on the 22nd December, 1852, a notification was issued withdrawing the provision of 1841, and declaring that no gold coin would be received on account of payment to be made to the Government in any public treasury from the 1st January, 1853.

With currency is intimately connected the question of banking. The early history of banking in India may be traced to a very remote past. On the eve

¹ In their despatch dated the 2nd July, 1852, the Government of India pointed out that the quantity of gold in the Indian treasuries was upwards of 30 lakhs of rupees worth, and that it was steadily increasing. They, therefore, urged that the proclamation should be withdrawn.

of the commencement of British rule, there were bankers associated with the Imperial and the various independent or semi-independent local governments, while each district—and even each village—had its own banker. These bankers exercised considerable influence in their respective spheres of activity, and some of them rose to positions of great eminence and wealth. The Jagat Setts of Bengal, who were the hereditary bankers to the Nawab Nazims,¹ enjoyed a reputation which spread far beyond the confines of the province.

The unsettled state of things which followed the Plassey debacle introduced elements of uncertainty into all the affairs of the people. The indigenous system of banking received a rude shock, and fell into a state of disorganisation. Many other difficulties ensued. The remitting of revenue from the districts to the seat of administration caused enormous expense and a great deal of inconvenience. The merchants were obliged to incur large expenditure in carrying their wealth from one part of the country to another. Besides, the various species of rupees in circulation, and the different amounts of *batta* charged on them, were a source of immense trouble to the payers as well as the collectors of revenue.

In order to obviate these difficulties, and also to minimise the evil effects of a scarcity of specie,

¹ They also acted sometimes as the custodians of the public treasury, and received regular salaries from the State.

Warren Hastings proposed in 1773 the establishment of a General Bank for the provinces of Bengal and Bihar. As this was the first attempt to start organised banking in India under British authority, a brief account of this Bank will perhaps be found interesting. The main features of Hastings's plan were as follows: first, a principal House or Bank, under the conduct of one or more responsible *shroffs*, with branches under the charge of *gomastas* in the districts, was to be established; second, collectors were to charge fixed rates of *batta* for the different kinds of rupees, and make over the coins to the *gomastas* of the Bank; third, a table of *hundian*, or commission of exchange, was to be fixed for payment to the Bank, according to the distance of the place and the risk and charge of transport¹; fourth, merchants desirous of sending money from one part of the country to another were to be permitted to make remittances through the Bank by means of bills; fifth, the managers of the Bank were to enter into an engagement with the Government and give security for the performance of their duties.²

The plan was accepted by the Council at Fort William, and two Indian gentlemen, Huzuri Mal and Rai Dayal Chand were appointed managers of the

¹ The following rates were fixed: Hughli, $\frac{1}{4}$ per cent.; Nadia, $\frac{1}{2}$; Jessore or Burdwan, $\frac{3}{4}$; Midnapur, $\frac{3}{4}$; Birbhum, Bishnupur, and Murshidabad, 1; Pachete, $1\frac{1}{4}$; Dacca or Rajmehal, $1\frac{1}{2}$; Dinajpur or Purnea, 2; Rangpur or Bhagalpur, $2\frac{1}{4}$.

² Original Consultations (Revenue Board consisting of the whole Council), dated 13th April, 1773. MS. Records of Bengal.

Bank.¹ They declined to offer any security, but agreed to adjust their accounts every month and pay into the treasury any balance which might be left in their hands. A circular was addressed to the Collectors, instructing them to afford the agents of the Bank every assistance in opening their branches, and in carrying on their business. They were also asked not to make any remittances by any Bills other than those of the General Bank.

The General Bank started work soon after the adoption of the plan. The profits during the first three months amounted to 29,560 *sicca* rupees. The Governor-General in Council decided that one half of the profits should be allowed to the managers, and the other half carried to the Company's account. The Court of Directors, on being apprised of the establishment of the General Bank, disapproved of the payment of considerable sums to the managers for conveying the revenues to the headquarters and then reconveying them to the districts. They also expressed the fear that the revenue might be diminished by the high *batta* on rupees being made permanent. The Directors, therefore, refused to confirm the Regulation establishing the Bank, but urged the President and Council to make enquiries as to the effects it had produced.

¹ The former was a respectable merchant of Calcutta; the latter was a banker of Murshidabad, a member of the family of Jagat Sett, who, from long experience had become intimately acquainted with banking business. Both of them were men of integrity, large substance, and extensive con-

A questionnaire was accordingly sent to the Provincial Councils of Revenue and the Collectors. Their answers went to show that the Bank had in some measure conduced to the convenience of merchants, the circulation of trade, and the reduction of the rate of interest, without having been productive of any mischief or oppression. It had, besides, led to another advantage. The remittance of the revenue had cost less since the establishment of the Bank than formerly. The matter was then fully discussed by the Governor-General and Council. Philip Francis wrote an elaborate Minute in which he pointed out some of the shortcomings of the Bank, and attempted to prove that it had "not done the service or provided the benefit expected from it." Hastings, however, held a different view.¹ But as he was then in a minority in the Council, it was decided in February 1775 to abolish the Bank.²

The General Bank closed its doors after an existence

nexions. Original Consultations, dated 23rd April, 1773. MS. Records of Bengal. Both of them were invested with the title of Raja.

¹ Hastings observed in the course of his reply to Francis's Minute: "Mr. Francis is of opinion that, allowing the present mode of remitting money to be more advantageous to the Company and more beneficial to the country than what was before in use or any other which occurs, still, if it has not done all the service and produced all the benefit expected, it ought to be set aside, merely because it was framed by the late administration, and is now in use. For my part, I rather think that changes should be avoided unless utility of them can be evidently made to appear, and that to authorize the Board to set aside the present mode it is necessary that some other system should be found, which it can be clearly shown will be attended with fewer inconveniences and be productive of greater benefits." *Vide* Original Consultations of the Governor-General and Council, dated the 7th February, 1775.

² Despatch to the Court of Directors dated the 25th February, 1775. MS. Records of Bengal.

of about twenty months. During this period, it realised a net profit of somewhat less than two lakhs of rupees, one-half of which went into the Government treasury.¹ The abolition of the Bank was due in part to the hostility of the opponents of Warren Hastings, but mainly to the lack of imagination displayed by the Court of Directors. The same attitude was again exhibited when the Court prohibited the authorities in India in 1787 from lending their support to any banking institutions in Calcutta. Banking business, however, had already been started in connexion with some of the European commercial houses. The oldest institution of the kind was the Bank of Hindusthan,² established by Alexander & Co. It issued notes, the circulation of which was confined to Calcutta and its immediate neighbourhood. Two other institutions, namely, the Bengal Bank³ and the General Bank⁴ were started in Bengal not long afterwards. The work of the latter Bank seems to have

¹ The abstract account of the General Bank, from the 1st June, 1773, to the 30th December, 1774, stood thus :

Gross profits	-	-	-	-	-	-	Sa. Rs. 255,329
Charges	-	-	-	-	-	-	Sa. Rs. 93,264
							<hr/>
Net profits	-	-	-	-	-	-	Sa. Rs. 162,065
One-half of the profits was	-	-	-	-	-	-	Sa. Rs. 81,032

Vide Original Consultations of the Revenue Board and of the Governor-General and Council, 1773-75. MS. Records of Bengal.

² This Bank had a long career. But it did not survive the failure of the firm of Alexander & Co. in 1832.

³ This Bank was in no way connected with the Bank of Bengal. It ceased to exist sometime before 1800, but the exact date is difficult to ascertain.

⁴ It was often called the General Bank of India. This institution was entirely different from the General Bank established by Warren Hastings.

been of considerable size. Neither of them lived very long.¹ In the Madras Presidency, an institution bearing the name of the Carnatic Bank existed in 1791, but very little is known about its activities.

The need of a properly constituted bank was felt all the more keenly because of the financial embarrassments of the government. In 1801, H. St. G. Tucker, Accountant-General of Bengal, addressed a letter to the Governor-General, in the course of which he observed: "It cannot have escaped observation that the credit of the Government in India has very rarely been such as might reasonably be expected from the general prosperity of its affairs; that the value of its securities is liable to great and sudden changes from causes altogether disproportionate to the effect; and that difficulties sometimes occur in raising funds for the public service with the occurrence of any circumstances of a nature to account for such difficulties."²

These difficulties could be removed by the establishment of a bank. The experiment of private banks had not succeeded, and there would, the Accountant-

¹ The General Bank went into liquidation in 1792. *Vide* Cooke, *Banking in India*.

² Letter to the Marquis of Wellesley, dated the 14th July, 1801.

Tucker added: "There is not in Bengal, as in the commercial countries of Europe, an artificial capital, arising from credit, or the circulation of a paper currency. There is no establishment for facilitating the means of borrowing and equalising what is termed the money market. There is no fund to which the Government or individuals can have recourse for temporary purposes, and the consequence is that when any sudden emergency occurs, the Government is not only at the discretion of those who possess capital, but it will sometimes happen that there is not capital of that extent which can immediately furnish the necessary aid."

General thought, be objections to a Government Bank.¹ Tucker, therefore, suggested the establishment of a proprietary bank under the immediate control and guarantee of the Government. Much time elapsed before the proposal received attention. In 1806, a Despatch was sent by the Government of Bengal to the Court of Directors recommending the scheme of a bank. But before any reply was received the Bank of Calcutta had opened its business. Its initial capital was fifty lakhs of *sicca* rupees, divided into five hundred shares of ten thousand rupees each. The Government of Bengal contributed one-fifth of the capital. The management of the Bank was entrusted to a Board of nine Directors, three of whom were nominated by the government and six by the shareholders.

This Bank received its first charter on the 2nd January, 1809,² on which occasion its name was

¹ On the question of a private bank, he observed : "The General Bank which was dissolved some years ago offered sufficient security to the public, for among its proprietary were some of the most wealthy inhabitants of this place ; but its constitution did not provide for a faithful administration of its affairs, and the assistance of the government was wanting to give life and vigour to its circulation." The objections to a Government Bank were summarised by him in these words : "It would not be distinguished from the Government's treasury : the public would consider it an engine of State ; it would be involved in all the transactions of the government, and there is reason to apprehend that the public under these circumstances would not have sufficient confidence in it. It would necessarily participate in the government's distresses, and its credit would be least when there might be the greatest occasion for credit in times of public calamity."

² As doubts had arisen as to whether the governments in India were competent to establish banks within the local limits of jurisdiction of the Courts established by royal charters, an Act of Parliament was passed in 1807 removing such doubts and empowering the authorities in India to start banks with the approval of the Court of Directors and the Board of Control.

which the Government of Bombay subscribed three hundred.¹

The connexion of the three Presidency Banks with the financial system of the country was a fairly intimate one. They performed the banking business of the government, while their right to issue notes directly affected the currency system. Several other banking institutions had, in the meantime, come into existence through private enterprise. These banks facilitated the foreign trade of the country, and considerably influenced its money market. Their activities, however, had no direct bearing on public finance.

The language in which the accounts were kept deserves some notice. Until 1835, the accounts transmitted to the headquarters of the province by the local authorities were drawn out in Persian, accompanied with English translations. The process of compilation in the office of the Accountant-General was also carried out in Persian, the books, when completed, being translated into English. In that year, the system was reformed, and the accounts of officers in the districts as well as at the Presidency began to be prepared in English. This plan and the employment of a better educated class of clerks led to a more vivid arrangement and a greater accuracy of detail, which

¹ The constitution of the Directorate was similar to that of the Bank of Bengal and the same kind of business was transacted by it. Its note circulation was limited to two crores.

Vide Cooke, Banking in India, and Brunyate, An Account of the Presidency Banks.

were most apparent in the latest years, though there was still room for improvement in the arrangement of the public accounts.

A word may be said about the financial year. In the beginning, different periods were adopted in the three Presidencies for the preparation of the annual accounts. The inconvenience of the system afterwards led to the adoption of a uniform period for the whole of India.¹ For financial purposes, the year commenced on the first day of May and closed on the thirtieth day of April following. All accounts were made up to the end of the financial year. For the collection and management of the land revenue, however, the local annual periods of the different Presidencies were kept up. It may be observed that these local periods corresponded more nearly to the financial than to the calendar year.

Indian accounts were submitted to the Court of Directors in various forms. They were, however, not always free from ambiguities ; nor were they sufficient to give a complete view of the financial transactions of the Company.² Another defect of the financial

¹ Report of the Committee of Secrecy, 1772, p. 59.

² In 1832, James Pennington, when asked by the Select Committee whether he found any difficulty in understanding the accounts, said : " I found no difficulty in understanding the tabular statements of the revenues and charges of India ; but on comparing the results they exhibit, with the augmentation of the India debt bearing interest, and the debt not bearing interest, I found so many apparent discrepancies as to render it extremely difficult, or rather impossible, to reconcile the one with the other. After many ineffectual attempts to discover the cause of these discrepancies, I found the statements were to be regarded merely as statements and not as accounts." Holt Mackenzie spoke in a similar vein. He said : " I should say they are state-

method was that, after the introduction of a centralised system, the accounts did not give an exact representation of the charges of the different provinces. Some general charges were included in the accounts of each province, and some charges which ought to have been divided among the different provinces were charged to one. For instance, the expenses of the Government of India were defrayed out of the revenue of Bengal, while the charges of the Indian Navy were borne by Bombay. Such charges ought fairly to have been distributed between the different Presidencies. The retired pay and furlough allowances for the whole of India were put in one general sum, though a portion belonged to each of the provinces.¹

The various defects of the financial system of India attracted the attention of the House of Commons in the closing years of the Company's administration. It was recognised on all hands that radical changes were needed in that system. But no practical steps were taken until the government of the country had been transferred to the Crown.

ments, not balanced accounts. They appear from Mr. Melvill's evidence to require considerable adjustment in order to make them show accurately the revenues and charges of the Government." *Minutes of Evidence, 1832-33.*

¹ Indian Financial Statement in the House of Commons, 1854.

CHAPTER III

DEFICITS AND SURPLUSES

AN historical treatment of the income and expenditure of India during the early years of British rule is liable to be rendered to a large extent misleading by a variety of causes. In the first place, the acquisition of territories by the East India Company was made piecemeal. The accounts of the earlier periods thus related to territories which were smaller in extent than those of later periods. Secondly, the imposition of fresh taxes or the remission of existing ones often led to an expansion or contraction of income independently of other factors. Thirdly, changes in the system of keeping accounts took place on several occasions, rendering comparison difficult. Lastly, there were current in India several descriptions of coins of different values, which, along with changes in the rates of exchange between England and India, introduced great complexity into converted accounts. It is essential to bear these facts in mind in order to avoid error in the work of comparison.

So long as the Company was not possessed of any territories, the charges of their several Presidencies were defrayed out of the small revenues then collected at each settlement. These charges were at that time

such as were necessary for the purposes of the Company's trade, and were small. The revenue derived by the Company from Bengal, during the four years immediately preceding the grant of the Diwani, averaged £655,158 a year, while the average expenditure was £683,301. The average revenue and expenditure of the Madras Presidency during this period were £191,731 and £403,025 respectively. Bombay showed a revenue of £69,713 and an expenditure of £229,709. Each of these Presidencies thus worked at a deficit. The budget of Bengal was very nearly a balanced one, while the deficiencies in the other Presidencies were large.

The acquisition of the Diwani in Bengal completely changed the situation. The revenue and expenditure in Bengal during the six years which followed this event were as follows :

		Revenue.	Expenditure.
1765-66	- -	£1,681,426	£1,210,360
1766-67	- -	2,550,094	1,274,093
1767-68	- -	2,451,255	1,487,383
1768-69	- -	2,402,191	1,573,129
1769-70	- -	2,118,294	1,752,556
1770-71	- -	2,009,984	1,732,088

The accounts of the Madras Presidency stood as follows :

		Revenue.	Expenditure.
1765-66	- -	£249,115	£371,462
1766-67	- -	386,817	581,515
1767-68	- -	331,633	553,323
1768-69	- -	374,702	880,687
1769-70	- -	510,347	603,408
1770-71	- -	578,534	585,129

The Bombay accounts were on a still smaller scale, as will appear from the following figures :

		Revenue.	Expenditure.
1765-66	- -	£70,133	£205,831
1766-67	- -	75,809	249,747
1767-68	- -	79,697	268,057
1768-69	- -	85,406	318,601
1769-70	- -	75,635	395,481
1770-71	- -	69,462	401,629

It will be seen that while there were substantial surpluses realised in Bengal, both Madras and Bombay had large deficits. The Bengal surpluses were utilised in making good the deficiencies of the other provinces, in meeting the expenditure incurred in Bencoolen and St. Helena, and in purchasing investments. The financial position of Bengal was thus prevented from becoming strong. Even before the departure of Clive, the situation had become "fraught with the elements of future difficulty," and within a year of his departure, financial distress began to manifest itself. In 1768, Governor Verelst wrote : "The great demands which have been made on this Presidency from every quarter have reduced your treasury to a very low state, and alarm us for the consequences which must inevitably attend such a vast exportation from this country." It should be remembered in this connexion that the political and commercial accounts were not kept wholly separate, and charges of a commercial character were often met out of territorial revenues. The result was that, in all the Presidencies, the cash balances fell below the standard required for meeting

the demands upon the treasury, while the bond debt tended continually to swell.

In 1770, there occurred in Bengal one of the most dreadful famines known to history, "a calamity by which more than a third of the inhabitants of Bengal were computed to have been destroyed." The revenue realisations, however, did not fall much below those of the previous year.

The financial position of Bengal during the next eight years may be gathered from the following figures : ¹

		Net Revenue.	Expenditure.
1771-72	-	- £2,373,650	£1,705,279
1772-73	-	- 2,327,137	1,759,271
1773-74	-	- 2,481,404	1,488,435
1774-75	-	- 2,823,964	1,212,890
1775-76	-	- 2,966,387	1,161,621
1776-77	-	- 2,784,502	1,073,216
1777-78	-	- 2,567,452	1,388,978
1778-79	-	- 2,687,657	1,696,622

The revenue and expenditure of the Madras Presidency were as follows : ²

		Net Revenue.	Expenditure.
1771-72	-	- £558,860	£407,446
1772-73	-	- 529,233	309,138
1773-74	-	- 524,762	407,144
1774-75	-	- 503,629	454,589
1775-76	-	- 514,591	345,867
1776-77	-	- 563,349	533,182
1777-78	-	- 283,198	485,830
1778-79	-	- 494,208	803,924

¹ Fourth Report of the Committee of Secrecy, 1782.

² *Ibid.*

The accounts of the Bombay Presidency stood thus : ¹

		Net Revenue.	Expenditure.
1771-72	- -	£75,475	£410,853
1772-73	- -	85,975	384,816
1773-74	- -	109,163	347,387
1774-75	- -	128,516	419,562
1775-76	- -	227,164	372,952
1776-77	- -	249,915	360,779 ²
1777-78	- -	249,857	364-373
1778-79	- -	229,558	510,891

These figures show that in each of these eight years there was a large surplus in Bengal, the total amount of the surpluses being over eight and a half million pounds sterling. In Madras, there were surpluses in six of these years, while two of them exhibited deficits. The net result was a surplus of £224,710. The position of Bombay was throughout this period one of deficit, the total figure amounting to £1,814,890. This deficiency of revenue was made good by means of aids received from Bengal, the total amount of which was £1,852,527. ³

The bond and other debts in the three Presidencies, during this period, were as on following page.

¹ Fourth Report of the Committee of Secrecy, 1782.

² A portion of the military charges incurred in Tanjore was omitted in the accounts for 1776-77.

³ Fourth Report of the Committee of Secrecy, 1782.

The amounts of aid received year by year from Bengal were as follows : 1771-72, £233,879 ; 1772-73, £161,932 ; 1773-74, £164,926 ; 1774-75, £340,219 ; 1775-76, £293,441 ; 1776-77, £184,022 ; 1777-78, £219,101 ; 1778-79, £181,460. Aids were also received during the years 1779-80 and 1780-81 amounting to £273,547 and £111,738 respectively.

		Bengal C. R.	Madras Pagodas. ¹	Bombay Rs.
1771-72	-	1,60,33,000	2,89,209	...
1772-73	-	1,92,77,251	3,37,078	...
1773-74	-	2,13,13,281	1,96,059	23,23,798
1774-75	-	1,77,74,455	1,81,632	26,62,793
1775-76	-	1,30,54,854	1,38,933	35,35,449
1776-77	-	98,60,179	1,42,533	31,90,090
1777-78	-	1,01,73,577	1,48,900	35,91,453
1778-79	-	1,05,65,210	2,94,254	52,79,161

The administration of the country was during all these years, except the first, under the control of Warren Hastings. He gave a very flattering picture of his own achievements in the realm of finance. "When I took charge," he wrote, "of the Government of Bengal, in April 1772, I found it loaded with a debt at interest of nearly the same amount as the present; and in less than two years I saw that debt completely discharged, and a sum in ready cash of the same amount actually accumulated in store in the public treasuries."² This boastful claim, as the historian points out, was not wholly based on facts. No improvement had taken place in the productive powers of the country. There was a slight improvement in the net revenue, which might in part be ascribed to the measures adopted by the previous administration. In the expenses of the civil and military services, instead of any retrenchment there had been an actual increase. Mill is, therefore, right when he observes: "It thus abundantly appears that nothing so important as to deserve the name of

¹ Two and a half pagodas were equal to one pound sterling.

² Hastings, *Memoirs*.

improvement had arisen in the financial administration of the Company. A pecuniary relief had indeed been procured, but from sources of a temporary and very doubtful description ; partly from the produce of the bills drawn in such profusion upon the Company by the predecessors of Hastings ; partly from the reduction of the allowance to the Nawab of Bengal from thirty-two to sixteen lakhs ; but chiefly from the plunder of the unhappy Emperor of the Moguls, whose tribute of twenty-six lakhs per annum for the Diwani of Bengal was withheld, and whose two provinces of Corah and Allahabad were sold for fifty lakhs to the Vizier ; from the sale of the Rohillas, the extirpation of whom was purchased at forty of the same eagerly coveted lakhs ; and from the pay and maintenance of a third part of the troops, which were employed in the wars and dominions of the Vizier.”¹ As for the debt, there had been only a slight reduction in the total amount.

The remaining period of Hastings’s administration was one of financial difficulty. This was due to a large increase in expenditure and a substantial diminution in income.² Bengal’s revenues, as usual, were more than sufficient to meet her expenditure. But year after year, she was called upon to meet the de-

¹ Mill, *History of India*.

² As the Directors pointed out later, the charges of collection in 1783 “ were double what they were in 1766, and the net revenue from the territorial acquisition in Bengal was one million sterling less than it was in the first year after the acquisition of the Diwani.” Letter to the Government of Bengal, dated the 12th April, 1786.

ficiencies of the other Presidencies and to finance most of the schemes of conquest. In 1780, Sir Eyre Coote, then Commander-in-Chief, wrote to the Governor-General and his Council informing them that the treasury at Madras was empty, and that, "by the nearest computation he could make, the future disbursements at Fort St. George would rather exceed seven lakhs of rupees per month, every *courie* of which must come from Bengal, as he found there were no resources there from which a single pagoda could be expected." In a letter to the India House the Commander-in-Chief lamented the necessity there was of "both the army and the inhabitants, in the state in which the country then was, being maintained chiefly by supplies from Bengal."¹ At last, the various wars into which the country had been plunged by the ambitions of the Company's principal agents, and the inordinate demands of the other Presidencies, brought Bengal very near a financial disaster. The belief that the revenues of Bengal were "an inexhaustible fund upon which the other Presidencies might draw without limit" no longer proved true. In the concluding year of Hastings's administration, there was a deficit amounting to a million and a half pounds sterling, and for the following year, another deficit of a similar

¹ Fourth Report of the Committee of Secrecy, 1782. The Select Committee wrote to the Directors in 1780: "They can place but little dependence on any resource but that of Bengal for carrying on the war; and as to the expenses of the civil department, they have slender hope of procuring any answer from any quarter."

amount was estimated. The treasury was exhausted, and public credit was at the lowest ebb.¹ Macpherson, immediately after taking charge of the administration as Acting Governor-General, wrote to the Directors : " The public distress was never so pressing as at this moment. The season of the heavy collections is over ; the demands of Madras and Bombay are most pressing, and our arrears for the army are upwards of fifty lacs." ²

Macpherson took immediate steps to meet the situation. He used the cash in the treasury to pay the troops. In order to ease the financial tension caused by the deficiency of specie, he issued certificates bearing interest at 8 per cent. per annum. He supervised the collections with great care.³ Macpherson also pursued a vigorous policy of retrenchment, and succeeded in effecting a reduction in the establishment charges amounting to £1,200,000.⁴

In 1786, the instructions of the Court of Directors to the Bengal Government enjoined strict economy. The total revenue of the British possessions in India in the year 1785-86 was £5,250,153. The largest share of it, amounting to £4,527,283, was derived from

¹ Warren Hastings did not deny that there was a loss of public credit, but he explained : " The want of credit, as it is falsely called, in Bengal, is not, as the term implies, a want of confidence, but of means in those who were the creditors of our treasury." *Memoirs* (1786).

² Letter dated the 4th March, 1785, quoted in G. W. Forrest, *Selections from State Papers : Lord Cornwallis*, vol. i., p. 7.

³ Forrest, *Selections from State Papers : Lord Cornwallis*, vol. i., p. 8.

⁴ Cornwallis, however, says : " Their whole conduct and all their pretensions to economy except in the reduction of salaries was a scene of delusion." Ross, *Cornwallis Correspondence*, vol. i., p. 227.

Bengal ; Madras came next, with £588,524 ; while the contribution of Bombay did not exceed £134,346. In the first India Budget presented by Henry Dundas in 1789, the revenues of the three Presidencies were stated to be : Bengal, £5,182,000 ; Madras, £1,082,000 ; Bombay, £131,000. The total revenue of the country thus was £6,395,000.

The moderation and wisdom which marked the character of Cornwallis were reflected in his financial administration. From the very beginning, he followed a policy of economy and retrenchment. He introduced many reforms, and saved large sums "upon the salt, upon the various contracts, upon remittances, upon balances, and jobs of various kinds." As a measure of retrenchment, Cornwallis suggested the almost entire abolition of the Bombay establishment, but the authorities in England did not agree to the proposal. In one of his letters to Henry Dundas he wrote : "I flatter myself that when you read the despatches you will think I have done a great deal, and that I have been an economist in the true sense of the word." He did not, however, see eye to eye with the Directors on the question of economy, and observed with some amount of bitterness : "If the essence of the spirit of the whole Court of Directors could be collected, I am sure it would fall short of my earnest anxiety on that subject." ¹

The quinquennium 1786-87 to 1791-92 witnessed a

¹ Letter dated 26th August, 1787. Ross, *Cornwallis Correspondence*.

slight increase in the revenue. During this period, Bengal showed an aggregate surplus of over ten million pounds sterling. But in Madras there was an aggregate deficiency of no less a sum than twelve millions. Nor was Bombay far behind Madras, her aggregate deficit during this period amounting to about ten million pounds.¹

On the occasion of the renewal of the Charter in 1793, an enquiry was made into the Company's resources, both political and commercial, and a careful calculation of future income and expenditure was made on the basis of the practical experience of past years. A line was drawn for the distribution of the expenditure in India, including the expenses of administration and the interest on debt. A principle was also established for the application of the surplus revenue.

During the period 1792-93 to 1796-97, when peace reigned throughout the country, annual surpluses were exhibited, the aggregate amount of which was £5,637,588. These surpluses, it should be remembered, were realised in spite of the increase in expense caused by the judicial and administrative reforms of Cornwallis. No small measure of credit was, therefore, due for this satisfactory state of things to the mild and economical rule of Sir John Shore. But the arrival of an "expensive and ambitious ruler" in the person of Lord Wellesley entirely changed the situa-

¹ Report of the Committee appointed by the Court of Directors of the East India Company, 1793.

tion. The "scene of war and conquest" which followed his assumption of office resulted in annual deficits, the total of the five years ending in 1801-2 amounting to £2,743,952.

But Wellesley's warlike administration was not the sole cause of the financial trouble. Early in his career as Governor-General of Bengal, he sent home a Minute exhibiting the financial state of the country. He pointed out that, in the course of the year 1798-99, there was apprehended a total deficit of 2,13,81,321 *sicca* rupees in the three Presidencies. As for the causes of the deficiency, the Governor-General showed that the sums appropriated in India to the purposes of investment and commercial charges amounted to 4,96,15,165 current rupees in the two years 1796-97 and 1797-98. "This annual demand," he wrote, "for the purpose of investment upon a scale so far exceeding the annual means of the three Presidencies was the principal cause of the deficiency." But some of the other causes were no less important. These were to be found in the increase of the civil and military establishments of all the Presidencies, in the expenses incidental to the acquisition and maintenance of the various conquests in India and the intended expedition against Manilla, in the partial failure of certain branches of the ordinary revenues, and, finally, in the heavy addition to the public debt under the accumulated pressure of a high rate of interest and of the obligations contracted for the annual discharge of large

portions of the principal. Much the greater part of the additional expenditure was, in the opinion of Wellesley, of a permanent character, and a comparatively small proportion was temporary.¹

An additional cause of the growth of expense might be traced to Wellesley's policy of encouraging the desertion of the officers and soldiers of the Mahratta princes. As large numbers of these came over to the Company's service, the military expenditure considerably increased. The Governor-General subsequently made an attempt to relieve the financial burden by reducing the regular troops. But the actual steps taken by him in this direction did not go very far.

Two expedients were adopted to meet the financial difficulty, namely, first, the raising of a loan, and secondly, a recommendation to the Court of Directors to send increased quantities of British manufactures to Bengal and Bombay and an annual supply of silver bullion to Bengal to the extent of fifty lakhs. A reduction of expense was attempted, but the Governor-General raised his warning voice against that species of "improvident" economy, which, in this country, above all others, would "ultimately prove real profusion and the source of every abuse."

A Committee was appointed for the purpose of considering the questions of retrenchment and augmentation of revenue. The latter course, however, presented a peculiar difficulty, as the land-tax had

¹ Minute of the Governor-General, dated the 12th June, 1798.

been fixed in perpetuity. Some improvement was, however, looked for in the receipts from customs, stamps, and spirituous liquors. The Governments of Fort St. George and Bombay were asked to revise their civil and military establishments on the same principles as might be adopted in Bengal, and to regulate the various branches of their revenue in a similar manner.

The annual deficit ceased with the return of peace. There was a surplus of somewhat less than a million pounds sterling in 1802-3. But the deficit reappeared in the following year, and continued steadily to increase till 1806-7. The deficiencies in these years were : 1803-4, £1,428,076 ; 1804-5, £1,537,951 ; 1805-6, £2,258,600 ; 1806-7, £3,152,322. The consequences of war during this period were thus far more severe than in the previous period.

The arrival of Cornwallis for the second time gave some hope of retrieving the financial position. Immediately after taking office, he apprised the Directors of the extreme pecuniary embarrassments in which he found the government involved. "Every part of the army," he wrote, "and every branch of the public department attached to it, even in their present stationary positions, are suffering severe distress from an accumulation of arrears ; and if, unfortunately, it should become indispensably necessary to put the troops again in motion, I hardly know how the difficulties of providing funds for such an event are to be

surmounted.”¹ He directed his attention to the improvement of the finances, but death overtook him before all his plans could be carried into execution.

The peace which Cornwallis had succeeded in restoring enabled his successor, Sir George Barlow, to adopt a rigorous policy of real economy. He reduced military charges by disbanding the irregular troops, and effected retrenchment in almost all the departments of administration. He also urged the Bombay and Madras Governments to “establish a system of the most rigid economy through every branch of the civil and military expenditure,” and enjoined them “to abrogate all such charges as were not indispensable to the good government and security of the provinces under their control.” By these means, Barlow succeeded in reducing Indian expenditure by a substantial amount, and in nearly wiping out the deficit which had now become almost chronic in the financial system of India. The deficits were only £309,122 in 1807-8, and £26,042 in 1808-9.²

If we now compare the financial position of India in the year 1792-93 with what it was in 1808-9, we find that the revenue increased during the interval in a most remarkable degree, that is, by £7,299,427. But charges increased even to a greater extent, namely, by £8,650,621. Thus a less favourable result was

¹ Letters from the Marquis of Cornwallis, printed 1808, quoted in Mill, *History of India*, bk. vi., ch. xiii.

² Report of the Select Committee on the Affairs of the Company, 1810.

exhibited in the sum of £1,244,620. The increase in revenue was due to three principal causes, namely, first, normal expansion under almost all the heads; secondly, levy of fresh taxes; and thirdly, acquisition of fresh territory. The growth of expenditure was attributable to the increase in the charges of collection and administration, the additional supplies to Bencoolen, the growth of interest paid on debt, and the increase in military expenditure.

It is worthy of note in this connexion that, during this period of seventeen years, the revenues of India were, with the exception of only one year, more than sufficient to cover the immediate charges of administration. As a matter of fact, surpluses occurred in sixteen years, and there was a very small deficit in only one year, namely, 1805-6, the year in which the charges in connexion with the Mahratta war bore with unusual pressure. But the supply to Bencoolen, Penang, St. Helena, etc., and the large amount of interest on debts, converted the surpluses of eleven of these years into deficits. Taking all the items of expenditure into consideration, we find that, during the whole period 1792-93 to 1808-9, the surplus revenue amounted to £6,478,387 and the excess of charge to £11,466,073, so that the total income fell short of the total expenditure by £4,987,676.¹

Coming to the provinces, we find that, in the Presidency of Bengal, there were surpluses in sixteen years

¹ Report of the Select Committee on the Affairs of the Company, 1810.

and a small deficit in only one year, namely, 1806-7. The total revenue of Bengal during the whole period exceeded the total charges, including interest, by £27,409,097. In the Presidency of Madras, the charges exceeded the revenues in every year except two, namely, 1792-93 and 1793-94, in which years the casual payments by Tipu Sultan, in consequence of the treaty of Seringapatam, were included. On the whole, the deficiency in Madras amounted to £11,193,883. In the Bombay Presidency, the revenues were never sufficient to defray the charges, and the total excess of expenditure during this period amounted to £18,385,745. Deducting the excess revenue in Bengal from the excess charges in Madras and Bombay, we arrive at £2,170,530 as the net excess of expenditure of the three Presidencies. When to this is added the amount of £2,817,146 which was supplied to Bencoolen, Penang, etc., we find that the total deficit of all the Eastern possessions of the Company during this period was £4,887,676.¹

The chief expedient by which the excess of charge was met was the raising of money on loan. The amount of debt which, on the 30th April, 1792, was £9,142,720, stood at £30,876,788 on the 30th April, 1809.² There was thus an increase of debt to the extent of £21,734,068 during this period of seventeen

¹ Report of the Select Committee on the Affairs of the East India Company, 1810.

² Mill gives the following figures : In 1793, the debts were : In England, £7,991,078 ; in India, £7,971,665 ; total, £15,962,743. In 1797, they

years. It is clear that only a small portion of this additional debt was required for the administrative expenses of the country. The commercial charges of the Company and the expenses of the various campaigns account for the remainder. This was surely a most unsatisfactory method of conducting the financial administration of India.

Sir George Barlow's labours in the interests of economy bore full fruit during the rule of his successor. Lord Minto was an ardent lover of peace, and he kept expenditure rigorously down. The revenues of India during the next five years were : 1809-10, £16,547,654 ; 1810-11, £16,774,257 ; 1811-12, £16,689,039 ; 1812-13, £16,523,779 ; 1813-14, £17,299,245. The charges in India during these years, including interest, were : £16,137,399, £16,310,176, £14,847,901, £15,333,661, and £15,340,396 respectively. There was thus a local surplus in each of these years, the surpluses of the last three years being quite large. But the charges in England and the expenses of possessions outside India, *e.g.*, the island of St. Helena, converted the surpluses into deficits.

The renewal of the Company's Charter in 1813 marks the commencement of a new period in the financial history of India. The first six years of the new system exhibited annual deficits, the aggregate amount of which was £5,445,931. The cause is

were : In England, £7,916,459 ; in India, £9,142,733 ; total, £17,059,192. In 1805, in England, they were : £6,012,196 ; in India, £25,626,631 ; in all, £31,638,827. *History of India*, bk. vi., ch. xiii.

to be found in the increase of expenditure occasioned by the prosecution of hostilities against Nepal during the period 1814-16, and in the operations against the Pindarees and the Mahrattas in the years 1817, 1818, and 1819. The policy of Lord Hastings is best described in his own words. "It was by preponderance of power," he wrote to England in 1815, "that those mines of wealth had been acquired for the Company's treasure, and by preponderance of power alone could they be retained." The period of his administration marked the dawn of a new order, when Great Britain finally decided to assume "supreme control" over the whole of India.¹

The general peace which followed the military operations enabled the provincial governments to retrench military expenditure, the effects of which were perceived in the surpluses of the next three years. These amounted to £117,262, £610,698, and £1,743,139 respectively during the period 1820-21 to 1822-23. The surpluses would probably have been larger but for the great increase in the civil charges occasioned by the large extension of the Company's territories.²

When Lord Amherst became Governor-General, a stimulus was afforded to the effort to reduce charges. But before his measures had had time to bear fruit, the

¹ Auber, *Rise of the British Power in the East*.

² Wilson remarks: "At no previous period in the history of the country was the credit of the British Government more firmly established, or was the prospect of financial prosperity more promising, than at the commencement of 1823, when the Marquis of Hastings retired from the guidance of the pecuniary interests of India." *History of India*, vol. ii., p. 564.

Burmese war broke out. Then followed a long succession of deficits, ranging from £847,091 to £4,953,918. The total of the deficits in the years 1823-24 to 1829-30 amounted to no less a sum than £15,237,249.

The gross revenues of the three Presidencies and the subordinate settlements during the fifteen years ending 1828-29 were as follows: Bengal, £196,121,983; Madras, £82,042,967; Bombay, £30,986,970; subordinate possessions, £812,505; total, £309,964,425. If to this be added a sum of £1,109,975 received in 1815-16 from the Vizier of Oudh in exchange of territory, the grand total of receipts would come up to £311,074,400.¹ The average annual gross revenue during these fifteen years was thus a little over twenty million pounds sterling. The main cause of the increase of the gross revenue of India was the acquisition of new territory. But improved and extended cultivation, enlarged commercial dealings, an increase of population, the enactment of better laws, more efficient management on the part of the government, the levy, new stamp duties, and a great increase in the demand for opium in China, all contributed towards the expansion of the revenues.²

¹ Report of the Select Committee, 1832-33.

² The following statement for the year 1828-29 will show the proportions in which the revenue was derived from the different sources: Mint receipts, £19,414; Post Office, £135,617; Stamps, £368,431; Judicial, £126,464; Land Revenue, including certain small miscellaneous receipts, £12,895,366; Sair and Abkaree, £861,196; Small farms and licenses, and Moturfa, or tax on professions, £152,780; Ceded Territory on the Nerbudda, £457,923; Burmese cessions, £117,326; Subsidies from Mysore, Travancore and Cochin, £392,355; Salt, £2,700,147; Opium, £1,930,891; Tobacco, £85,128; Customs, £1,869,634; Marine, £77,787; Profits of the Madras Government

The expenditure consisted of the charges defrayed in India as well as those paid by the Court of Directors in England. The charges of the several Presidencies and of the subordinate settlements, exclusive of those which were paid in England, during the fifteen years ending in 1828-29, were as follows: Bengal, £167,747,449; Madras, £85,129,351; Bombay, £46,970,709; total, £299,847,509; Bencoolen, Prince of Wales's Island, and Singapore, £2,893,792; St. Helena (net charge), £1,576,370; grand total, £304,317,671.

The annual average amount of gross revenues in the last three years of the previous Charter was £16,764,700; the average of the three years ending in 1828-29 was £22,987,472.¹ The annual average of gross expenditure in the last three years of the former period was £16,500,030; in the three years ending in 1827-28 it was £25,902,817.²

Bank, £10,013; Extraordinary receipts from Ava, Bharatpur and Scindia, and from the Madras Native Fund, £491,249; making the total revenue in this year £22,691,721. Report of the Select Committee, 1832-33.

¹ These sums being stated in gross were chargeable with the expenses incurred in the collection of the revenue, in the manufacture of salt and opium, and in the payment of stipends under the various treaties and engagements amounting to about five millions per annum. *Vide* Report the Select Committee, 1832-33.

² The proportions of the increase of expenditure applicable to the civil and military departments respectively were as follows:

Civil Revenue, Judicial, and Finance, including Ceded and Conquered countries and supplies to Bencoolen and St. Helena	Average of 3 years ended 1813-14.	Average of 3 years ended 1827-28.	Increase.
£5,804,369	£8,305,065	£2,500,696	
Advances for salt and opium, and charges	708,660	1,291,434	582,774
Military	6,954,674	11,731,092	4,776,418
Buildings and Fortifications	224,864	724,291	499,427
Interest on Debt	1,495,460	1,748,513	253,053
Political Charges in England	1,311,998	2,102,422	790,424
	£16,500,025	£25,902,817	£9,402,792

The greatest increase in the gross expenditure took place in the four years ending 1827-28, and the deficit of these years constituted two-thirds of the aggregate deficit for the whole period 1814-15 to 1827-28. The average increase of the annual expenditure in these years, as compared with 1823-24, was £4,529,494. Of this large addition, the increase which occurred in India was £3,827,158, and that in England was £702,336. Of the Indian portion of the increase, £1,108,251 was an addition to the civil charges, and £2,695,749 to the military charges, while £23,158 represented the increased interest on debt. The increase in the civil charges arose in the Presidencies of Bengal and Bombay, but principally in the former, under the following heads of account: Embassies and missions, including the mission to Persia and the payment of some arrears of subsidy; provincial battalions; the ecclesiastical establishment; contributions to civil and annuity funds, schools and charitable institutions; and the revenue and judicial establishments. The military charges were increased by the Burmese war, the operations against Bharatpur, and an addition to the number of King's and Company's regiments in India. The augmentation of the Home Charges was caused by an increase in the sums issued for officers' pay on furlough and retirement, by increased expenses of King's troops serving in India, and by extraordinary increase in the quantity of territorial stores supplied to India.

It will thus be seen that the gross charges increased in a greater proportion than the receipts. The average annual deficiency, after defraying all charges both abroad and at home, in the last five years of the previous Charter, was £134,662; in the five years, ending 1818-19, it was £736,853; in the five years ending 1823-24, £27,531; and in the five years ending 1828-29, £2,878,031.¹

Let us now examine the revenue and expenditure of the different Presidencies separately. The revenues were: Bengal, £196,121,983; Madras, £82,042,967; Bombay, £30,986,970. The charges were: Bengal, £167,747,449; Madras, £85,129,351; Bombay, £46,970,709. Thus we find that, during the period 1814-15 to 1828-29, substantial surpluses were realised in Bengal year after year, while the normal condition of the other Presidencies and subordinate settlements was one of deficit. As a matter of fact, the total Bengal surplus during the period amounted to no less than £28,374,534, the annual average being £1,891,635. In Madras, the deficit for the whole period was £3,086,384, the annual average of deficiency being £205,758. The deficit in the Bombay Presidency was even larger, amounting to £16,223,922, or at the rate of £1,081,595 a year. In consequence of the large surplus realised from Bengal, there was, during the fifteen years ending 1828-29, notwithstanding the deficit at the other two Presidencies, an excess

¹ Report of the Select Committee on Indian Affairs, 1832-33.

of revenue over expenditure in India as a whole, amounting to £9,064,228, or an annual average of £604,281.

This, of course, was exclusive of the expenses of the subordinate settlements of Bencoolen, Prince of Wales's Island, Singapore, and St. Helena. It would certainly strike an impartial observer as strange that, although India derived no benefit from these settlements, her revenues should have been called upon to meet the deficiency at all these places. Besides, there were territorial payments in England which amounted to £23,825,712, or an annual average of £1,588,381. Taking into account all these heads, there was a deficit of £18,410,141, or £1,227,343 a year on an average. There were, in addition, other outgoings of an extraordinary nature, comprising such items as employment of the loan of 1812, loss on exchange, and unadjusted credits and debits, which amounted to £4,642,770, bringing the total deficit up to £23,052,911.

The extraordinary resources, by the aid of which this deficit was met, were as follows : Money received on loan in India, £17,289,864 ; surplus profits applied to payment of debt, £2,256,182 ; advances by commerce to territory in England, £3,036,578 ; short credit by commerce to territory in India, £129,919 ; balance due from the British Government at the commencement of the Charter of 1813, as set off between the Company and the Crown, £2,112,113 ; total, £24,824,656. The excess of extraordinary resources

amounting to £1,771,745 went to augment the cash balances.

After the conclusion of peace with Burma, Lord William Bentinck adopted vigorous measures to retrieve the financial position of India. In this effort his hands were greatly strengthened by the Court of Directors, who issued orders for the immediate reduction of Indian expenditure. In their despatch, the financial result of 1823-24 was referred to for the purpose of comparison, and the charges of that period were assumed as the standard to which the future charges were directed to be reduced. A statement was drawn up showing that, according to the standard of 1823-24, an immediate reduction in Indian expenditure to the extent of £2,924,155 would be necessary. It was admitted that there were difficulties in the way of carrying the reduction into effect ; but they were considered to be outweighed by the embarrassments which an excessive expenditure must occasion. The financial character and condition of the Bombay Presidency were pointed out as peculiarly calling for improvement. These orders, though largely acted upon, were not fully carried out before the expiry of the Charter in 1833.

The causes which had led to the increase of expenditure were described by the Court of Directors in the following terms : “ We have contemplated with much solicitude the present very unsatisfactory state of your finances, and we have carefully and minutely

examined the causes which have led to it. We observe that it has been brought about, less by the pressure of occasional and extraordinary expenditure than by continual progressive augmentations of charge in every department, which, viewed separately, may have appeared, at the times they were made, to have been justifiable ; but which, taken in the aggregate, have occasioned a large excess of disbursement beyond the resources from which alone charges ought to be defrayed. The great amount of that excess has absorbed every accession or improvement of revenue, however considerable, has increased your debt, and has left you burthened with a heavy deficit.”¹

In accordance with the instructions of the Directors, Lord William Bentinck immediately set about in right earnest to effect retrenchment in expenditure. Two Finance Committees, one civil and one military, were appointed in 1828 by the Supreme Government in India, to revise the expenditure and establishments of the three Presidencies. The former was directed to inquire into the civil establishments in the general, judicial, revenue, and marine departments. With some limitations the Committee was left free to push its enquiries to the utmost extent to which it might consider it necessary or expedient to carry them. The Civil Finance Committee was long and laboriously engaged in Calcutta in revising the charges of all the

¹ Quoted in the Report of the Select Committee on the Affairs of the East India Company, 1832-33.

Presidencies. Some of its recommendations were to be carried out immediately, while others were to be dependent upon certain contingencies. The recommendations accepted by the government were expected to result in a reduction, immediate and prospective, of nearly half a million pounds sterling. The bulk of this retrenchment was to take place in Bengal, while the shares of Bombay and Madras were to be smaller. The Military Finance Committee recommended reductions in the military department amounting to about a million pounds sterling. Immediate reductions were made in the irregular forces and establishments, while it was ordered that retrenchment would be made in the regular army as opportunities occurred.

The year 1829-30 showed a substantial surplus of over a million pounds sterling. In the following year, the surplus was much smaller, while there were small deficits in the years 1831-32 and 1832-33.¹ The Committee of the House of Commons reported in 1833 that, up to the end of the period of their inquiry, the gross charges had augmented in a greater proportion than the receipts. A considerable amount of evidence was recorded by the Committee on the question of the increase of expenditure. It was justly observed by one of the expert witnesses : " There is, I apprehend,

¹ The total Revenues and Charges in 1831-32 to 1833-34 were :

	1831-2.	1832-3.	1833-4.
Revenues	- £14,198,155	£13,955,042	£13,680,165
Charges	- 14,405,736	14,219,374	13,630,767

The deficits in 1831-32 and 1832-33 thus amounted to £207,581 and £264,332 respectively. The surplus in 1833-34 was £49,398.

in all departments of all governments, when not forced the other way by some special pressure, a constant tendency towards new and additional expenses, which it is extremely difficult to check ; and the constitution of the Indian Government and the way in which it conducts its business are not, I think, such as to apply any very efficient check ; nay, depending as it does mainly upon the reports and statements of its executive officers for information of what they do, every effort it makes to control with more knowledge is itself an occasion of expense.”¹

The Board of Control observed in a memorandum on the Court's Prospective Estimate of the 10th March, 1832 : “ The result of the Indian finances, whether present or prospective, is far from satisfactory. There is little or no prospect of its improvement by means of new or increased resources ; retrenchment and economy in expenditure appear to be the chief remedy. Much has been effected in the way of retrenchment during the last few years, and it is satisfactory to observe that the expenditure has been brought more nearly to accord with the income ; but if retrenchment be the only available means of improvement, much more remains to be done, . . . and it is not unreasonable to expect that more may still be effected.” The earnest efforts of the government in the matter of retrenchment proved successful. Measures were also adopted for the augmentation of the public resources.

¹ Evidence of Holt Mackenzie before the Select Committee, 1832-33.

The arrangements of the opium department were revised, and land revenue alienations were reconsidered. A small surplus was realised in 1833-34.

A new chapter was opened in the financial history of India after the renewal of the Charter in 1833. The four years which followed that event were marked by an entire absence of warlike activity. In the first year, there was a small deficit of £194,477. But from the next year, the revenues showed a tendency to expand in all the Presidencies, and the expenditure was kept within proper bounds. There were, it is true, apparent deficits in Bengal proper. But this was due to the entire charges of the Government of India being shown against that province. The position of Bombay was one of real deficit, and a deficiency appeared in one year in Madras. On the other hand, the newly-formed province of Agra showed large surpluses in all the three years. The total revenues realised in the whole of India during these years were as follows : 1835-36, £19,546,981 ; 1836-37, £19,674,153 ; 1837-38, £19,534,904. The total charges, including payments in England, were : £18,105,469, £18,425,929 and £18,754,586 respectively. The surpluses thus amounted to £1,441,512, £1,248,224 and £780,318 respectively in the three years. From this it is obvious that, during years of peace, Indian resources were not only ample to cover all necessary expenditure, but sufficient to leave considerable balances in the public exchequer.¹

¹ Letter from the Court of Directors of the East India Company to the Governor-General in Council, dated the 3rd June, 1852.

The situation was completely changed with the outbreak of the Afghan War in 1838. The full effect of hostilities was not, however, felt in the first year of the war, when there was a small deficit of £381,787.¹ The next ten years, that is to say, the years 1839-40 to 1848-49, were an uninterrupted period of warfare, comprising campaigns in Afghanistan, Sind, Gwalior, and the Punjab. During this period, the revenues expanded progressively; but the war affected the expenditure which grew in greater proportion than the revenue, as will appear from the following table:

	Total Revenues.	Total Charges.	Deficit.
1839-40	- £18,859,512	£20,998,225	£2,138,713
1840-41	- 19,546,418	21,301,243	1,754,825
1841-42	- 20,469,017	22,240,620	1,771,603
1842-43	- 21,202,362	22,548,373	1,346,011
1843-44	- 22,113,511	23,553,770	1,440,259
1844-45	- 22,183,453	22,927,346	743,893
1845-46	- 22,754,852	24,251,717	1,496,865
1846-47	- 24,450,052	25,421,374	971,322
1847-48	- 22,803,232	24,715,218	1,911,986
1848-49	- 23,342,594	24,815,819	1,473,225

The aggregate charges thus exceeded the revenues by £15,048,702, the average deficit amounting to no less a sum than a million and a half a year.

If we consider the financial position of the different provinces, we find that Bengal and Bombay exhibited deficits throughout the period; the deficits of the

¹ The entire cost of the Afghan War was estimated at £15 millions. John Bright said in the House of Commons that it was unjust to impose upon the people of India "the burden of a policy with which they had nothing to do." He thought that the whole of the expense ought to have been thrown on the people of England, "because it was a war commanded by the English Cabinet for objects supposed to be English." Debate in the House of Commons, 1859.

former province being apparent,¹ and those of the latter more or less real. In Madras, three were years of deficit and seven of surplus, while there was a surplus in each year in the Agra province. The deficiency in the income, as compared with the expenditure during these years, was met by a recourse to loans.

The establishment of peace in the country was followed by an improvement in the financial situation. The next four years, namely, 1849-50 to 1852-53, were years of surplus ; but the amounts were not large, the aggregate being only £1,725,152. The Second Burmese War again disturbed the finances of the country. The remaining period of the Company's rule was marked by substantial, and in some years large, deficits. In regard to the deficiencies of the years 1853-54 and 1854-55, which were £2,044,117 and £1,707,364 respectively, Lord Dalhousie expressed the opinion that they were merely apparent, having been caused by the enormous expenditure which the government was incurring upon public works designed for the general improvement of the country. He added : " A large annual deficiency must and will continue to appear unless the government shall unhappily change its present policy and abandon the duty which, I humbly conceive, it owes to the territories entrusted to its charge. The ordinary revenues of

¹ The deficits of Bengal were due to the fact that the entire expenditure of the Central Government was charged to this province. But so far as the provincial accounts proper were concerned, an annual surplus was exhibited by Bengal.

India are amply sufficient, and more than sufficient, to meet all its ordinary charges ; but they are not sufficient to provide for the innumerable and gigantic works which are necessary for its due improvement. It is impracticable to effect, and absurd to attempt, the material improvement of a great empire by an expenditure which shall not exceed the limits of its ordinary annual income.”¹ Although there was a good deal of truth in these remarks they did not depict the whole situation.

The deficiency of the year 1855-56 amounted to £972,000, the total deficiency of the three years 1853-54 to 1855-56 being £4,700,000. It should be remembered in this connexion that, as a result of the recent territorial acquisitions, a revenue of over four millions sterling had been added to the income of India.² But if we compare the revenue and charges of the last six normal years of the Company's administration, we find that the income of the year 1850-51 amounted to £18,844,000, and of 1856-57 to £23,270,000, while the expenditure was £18,429,000 in 1850-51 and £23,413,000 in 1856-57. Thus the charges increased in a higher proportion than the revenue, notwithstanding the reduction of half a million pounds in the interest on debt.³

¹ Minute of the Marquis of Dalhousie, dated the 28th February, 1856.

² Punjab, £1,500,000 ; Pegu, £270,000 ; Nagpur, £410,000 ; Oudh, £1,450,000 ; Satara, £150,000 ; Jhansi, £50,000 ; Hyderabad Assigned Districts, £500,000 ; total, £4,330,000. *Vide* Minute of the Marquis of Dalhousie, dated the 28th February, 1856.

³ Sir Charles Wood's Financial Statement in the House of Commons, 1854.

The subject at this time engaged the attention of the authorities in England. In 1855, the Court of Directors sent a despatch to India recommending a general revision of establishments in all the provinces. The frequent occurrence of deficits also brought the subject of Indian finance prominently before Parliament. It was asserted that the distress had been due, in the main, to the annexation policy pursued in India. An absence of proper control over finance was also pointed out as one of the causes of the difficulty. Some of the members of the House of Commons urged retrenchment in expenditure as a solution, particularly in the military department. But Sir Charles Wood, President of the Board of Control, and Vernon Smith, his successor in office, both considered the suggestion as impracticable. Nor did either of them hold out any hope of an increased income, for the existing sources of revenue were inelastic, and increased taxation was unthinkable.¹

It was when things were in such a state that Lord Canning assumed the duties of Governor-General. The deficit in the first year of his administration was a small one. In the beginning of the following year, it seemed that equilibrium between income and expenditure had been practically restored, and the financial prospects of the future appeared to be quite encouraging.² But it was not many months before

¹ Financial Statements in the House of Commons, 1854, 1855, and 1856.

² Despatch from the Secretary of State to the Governor-General, 1859.

the Sepoy Mutiny broke out, throwing the financial machinery of India entirely out of gear.¹

A shrinkage occurred in the income derived from most of the important sources, while there was a large increase of expenditure under many of the heads, both in India and in England. The total revenue amounted to £31,706,776 in 1857-58 as against £33,378,026 in 1856-57, while the expenditure was £40,097,418 as against £33,852,234 of the previous year.²

The deficiency which was only £474,208 in 1856-57 rose to £8,390,642 in 1857-58. In 1858-59, the amount of deficit was no less than £14,187,000. The Mutiny thus left its indelible mark on the financial history of

¹ With regard to the financial embarrassments caused by the Mutiny, John Bright said: "No policy can be more lunatic than the policy of annexation which we have pursued of late years in India, and the calamity we are now meeting is the natural and inevitable consequence of the folly we have committed." Debate in the House of Commons, 1859.

² The following Abstract Account of the net receipts and disbursements of the several Presidencies in India for 1857-58 was laid before Parliament:

Territories and Departments under the Government of	Net Receipts.	Expenditure.	Local surplus or deficit.
India - - - -	£1,830,780	£13,441,514	- £11,610,734
Bengal - - - -	10,064,276	2,016,225	+ 8,048,051
North-Western Provinces -	2,677,631	1,949,795	+ 727,836
Punjab - - - -	2,049,994	1,230,041	+ 819,953
Madras - - - -	4,580,978	5,388,458	- 807,480
Bombay (including Sind and Satara) - - - -	4,277,282	4,826,660	- 549,378
Total - - - -	£25,480,941	£28,852,693	- £3,371,752
Charges defrayed in England -	£4,492,470		
Local Deficit - - - -	-	3,371,752	
Excess of Expenditure over Income	£7,864,222		

The discrepancy in the figures was probably due to different exchange-rates having been taken in the conversion of the accounts.

India in a large permanent increase of expenditure and a heavy addition to debt.

In attempting to review the financial position of India during the last quarter of a century of the Company's rule, we find that surpluses occurred only in seven of these years, while in no less than eighteen there were deficits. The aggregate amount of the surpluses was £3,700,230, and that of the deficits £21,155,093. If we take into consideration a longer period, namely, that commencing after the renewal of the Charter in 1813, we find that during these forty-five years there were surpluses in thirteen and deficits in thirty-two years, the total amount of the former being £8,895,437, and of the latter, £62,905,287. If we go back even further, and take as our starting-point the year 1793, when the accounts began to be prepared regularly for presentation to Parliament, we arrive at a similar result. Out of the sixty-six years comprising this period, only eighteen were years of surplus, and no less than forty-eight were years of deficit. It is thus no wonder that the first Finance Member of India should have described the normal state of Indian finances as one of "deficiency of income and addition to debt."¹

A few words may here be said about the cash balance. This is needed to enable the government

¹ James Wilson, Financial Statement, 1860.

A keen foreign observer justly remarked that the financial history of India offered "the picture of a daily struggle between receipts and expenditure." He wrote further: "These budget difficulties are easily explained. On one

to meet administrative charges before the revenue of the year is collected. The amount required in a particular year depends upon the demands of the various departments. In the early days of the Company, when the territories were small in extent and the functions of government were limited, a comparatively small amount was found to be sufficient. For instance, in the year 1771-72, the cash balance in the Bengal Presidency was no larger than 65 lakhs. As the possessions of the Company extended, the cash balances of the several Presidencies tended to become larger in volume. On the 30th April, 1814, the cash balances of all the Presidencies taken together stood at £6,008,394. In 1834, the cash balance in India was £8,441,438. The surplus revenues realised from 1835-36 to 1837-38 increased the Indian cash balances. The heavy demands made by the Afghan War caused a reduction in the balances. The loan operations of the period 1841-42 to 1842-43 made their influence felt in the improvement which took place in 1843-44 and 1844-45 in the position of the treasury. The loans subsequently raised strengthened the cash balance still further. By the 30th April, 1853, the cash balance had grown to £15,439,134. At this time,

side, a civil and judicial administration, staff corps and troops, sent from a distance at great expense, and bringing along with them the habits and wants of another hemisphere; on the other, a primitive system of taxation, borrowed from the traditions of the great Moghuls. In a word, the expenditure of a European government had to be defrayed by the budget of an Asiatic one." E. de Valbezen, Consul-General for France at Calcutta, *The English and India*, p. 398.

the government took full advantage of the large amount of the cash in the treasury. The surplus cash balance was then used as a lever with which the Government operated upon the debt with a view to a reduction of the rate of interest. Two years later, the President of the Board of Control instructed the Government of India to utilise a portion of the balance for extraordinary public works. This caused a temporary diminution in the size of the balance. On the 30th April, 1857, the cash balance in India stood at £13,877,376. The loan operations due to the Mutiny raised the balance to £14,611,359 by the close of the year 1857-58.

As the volume of annual transactions in England was comparatively small, the cash balance required to be kept in that country was of a smaller size than in India. At the close of the year 1857-58, the balance in the treasury in England was £4,351,601. The combined cash balance in India and England on the 30th April, 1858, was thus £18,962,960.¹

In order to meet frequent deficits in its budgets, the

¹ The Cash Balances on the 30th April, 1858, were as follows:

In the Treasuries in India :

Government of India	-	-	-	-	£4,872,641	
Bengal	-	-	-	-	1,208,346	
North-Western Province	-	-	-	-	1,517,729	
Punjab	-	-	-	-	1,157,825	
Madras	-	-	-	-	2,429,887	
Bombay	-	-	-	-	3,424,931	
						£14,611,359
Balance in the Treasury in England	-	-	-	-		4,351,601

Total Cash Balance in India and in England on the 30th April, 1858	-	-	-	-	-	£18,962,960
--	---	---	---	---	---	-------------

Company was obliged, as has already been noticed, to have recourse to loans. As a consequence, the public debt tended continually to grow. The most important cause of the accumulation of debt was, of course, war. In 1779-80, the bond and other debts of the Company stood as follows : Bengal, £726,719 ; Madras, £785,635 ; Bombay, £527,916 ; total, £2,040,270. On the 1st May, 1793, the total debt amounted to £7,971,068. The Mysore War caused the first serious increase in the debt of India. In 1799, it stood at £12,811,863. It steadily increased during the remaining period of Lord Wellesley's administration, until, on the 1st May, 1806, it reached the figure of £28,538,804. There was a small increase of £1,705,537 in the following year. In 1809, the total debt amounted to £30,876,788. There was thus an increase of £22,905,720 in the course of sixteen years, or an average of £1,431,607 a year. Of this increase, the bulk was in the debt at interest and only a very small portion in the debt not at interest.

The largest portion of the debt was raised in Bengal. But the whole of the Bengal debt, as was pointed out by the Court of Directors, was not really due by that Presidency. Calcutta being the central point in the administration of the country, the other Presidencies often raised their loans in that city. Besides, as the charges of the other Presidencies considerably exceeded their revenues, it is to be presumed that a part of the loans of Bengal must have been raised in aid of

the wants of Bombay and Madras.¹ The debt at Madras during the early period consisted chiefly of the balance of the fund reserved for the payment of the debts of the Nawab of the Carnatic. The Bombay debt was very small in amount.

The public debt of India remained practically stationary during the next five years. In 1814, the debt at interest was £26,970,786, and the floating debt, £3,948,834; the total being £30,919,620. The Nepal and Mahratta Wars occasioned a large augmentation of the debt, the amount of the increase during the period 1814-15 to 1819-20 being £8,940,703.² A reduction was effected in the years 1820-21 to 1823-24, amounting to £5,294,857. But the enormous expenditure incurred in connexion with the Burmese War and the siege of Bharatpur led to a large addition to debt, the net increase between the years 1824-25 and 1827-28 being £13,007,823. Thus, by the 30th April, 1829, the debt at interest had risen to £39,377,880, and the floating debt to £7,877,494; the total being no less a sum than £47,255,374.³ The increase of debt between the years 1814 and 1829 was £19,252,838, of which £16,335,754 represented the increase in

¹ Report of the Select Committee on the affairs of the East India Company, 1810.

² Lord Hastings pointed out that on the 30th April, 1821, the cash balance amounted to £12,232,778, which exceeded the sum in hand on the 30th April, 1814, by £6,224,384. The excess of the cash balance was thus larger than the increase in the debt. *Vide* Lord Hastings's Summary of the operations in India during the years 1814 to 1821.

³ Report of the Select Committee, 1833.

the Indian debt and £2,917,084 in the debt held in England.

On the 30th April, 1834, the total debt amounted to £41,350,952. When the trading functions of the East India Company ceased, a sum of £9,911,055 was, in terms of the new Charter of 1833, applied out of the commercial assets of the Company to the reduction of the public debt of India. On the 1st April, 1839, the total amount of debt was £33,980,873. From 1840, the debt began again to increase. The long succession of wars, which were the outcome of the aggressive policy of Hardinge and Dalhousie, made its influence felt on India's public debt, which continued to swell until the year 1852-53. A reduction of about two and a half millions was made in 1853-54. Fresh additions were made to the debt during the next three years. On the 30th April, 1857, just before the outbreak of the Mutiny, the total debt amounted to £59,441,052. The Sepoy Mutiny led to a very large augmentation of the debt. On the 30th April, 1858, the total debt stood at £69,473,484. This, however, did not represent the full cost of bringing under control the great conflagration. No less a sum than forty-six millions was added to the public debt by this single event.

The public debt of India consisted of two parts, viz., the debt raised in England and that incurred in India. We shall take the former first. During the earlier years of the Company's rule, no distinction was drawn

between the territorial and the commercial debt. A Committee of the House of Commons reported in 1783 that the bond debt in England was territorial in character. A sort of rough division was made in 1793, when the whole of the registered debt was declared as territorial. When a separation of the commercial from the territorial assets and liabilities of the Company took place in 1813, no decision was made as to the character of the 'home bond debt.' At the time of the renewal of the Charter in 1833, the Court of Directors urged that the whole of the 'home bond debt' should be regarded as political, and this view was accepted by Parliament. Under the Charter Act of 1833, the bond debt of the Company held in Great Britain became a charge on the revenues of India.

The debt in England consisted chiefly of the 'home bond debt'; but debenture loans, temporary loans, and bills of exchange drawn upon the Court of Directors also formed part of it. The 'home bond debt' originated in loans taken by the Company to meet sums which it had agreed to lend to the Government of England and which formed one of the Government stocks, known as the 'East India Annuities.' The amount of stock so created in 1750 was £4,200,000, and the bond debt of the Company in that year was £4,065,000. This debt was thus originally occasioned by the commercial concerns of the Company. But the loans raised after the acquisition of territories by that body were applied to political as well as mercantile

objects. The 'home bond debt' was composed of securities issued by the Company under Parliamentary authority. The maximum amount of money which the Company was permitted to borrow was fixed from time to time by Parliament. The amount of the bond debt in 1783 was £1,497,000. In 1794, the total bond debt for the three Presidencies amounted to £2,179,467, and in 1796, to £1,519,592. There was no material variation until 1805, when the amount increased to £2,412,092. In 1808, it was further augmented to £4,220,792. In 1812, it rose to £6,581,317. But in 1814, the 'home bond debt' was reduced by about two million pounds sterling, and in the following year by another half a million. In 1829, this debt amounted to £3,795,892.

On the 30th April, 1834, the amount of the 'home bond debt' was £3,523,237. It stood near about this figure till 1838-39. In that year, a substantial reduction in this debt, amounting to £1,788,525, took place, owing to a portion of the commercial assets of the Company having been utilised for the purpose. During the six years which followed, the 'home bond debt' stood at £1,734,300. There was an addition of about half a million in 1844-45, and of another similar sum in 1847-48, while a little over a million pounds was added in 1848-49. A small reduction was made in 1854-55. On the 30th April, 1857, the 'home bond debt' stood at £3,894,400. In the following year, after the outbreak of the Mutiny, Parliament em-

powered the Court of Directors to raise loans not exceeding £8,000,000. The permanent 'home bond debt' was not increased on this occasion; but bonds were issued as securities for temporary loans, and a 4 per cent. debenture loan was floated. The total debt in England on the 30th April, 1858, was £8,769,400.

The Indian portion of the debt was of two descriptions, namely, (i) the debt at interest, and (ii) the debt not at interest. The former consisted of the registered debt, temporary loans, and treasury notes. The latter was composed of deposits and arrears of salaries and allowances due to civil and military officers. As we have already seen, it was the deficiency in the income of the government which gave rise to the Indian debt as well as the debt in England. The Indian debt, however, grew at a much faster rate than the debt held in England. The reason perhaps was that no legislative sanction was required for the former as was necessary in the case of the latter. In 1792, the Indian debt was a little over seven millions. Soon after the arrival of Lord Wellesley, the debt began to show signs of expansion. In 1799, it amounted to ten millions, and by 1805, it had reached twenty-one millions. The heavy commitments of this period led to further augmentations, though on a much smaller scale, in the two following years. In 1813-14, the debt amounted to twenty-seven millions.

On the 30th April, 1834, the Indian debt amounted

to £37,827,715. As the result of successive reductions made in the course of the next five years, the Indian debt stood at £32,246,573 at the close of the year 1838-39. From 1840-41, the debt steadily increased, until by the end of 1852-53 it amounted to £52,313,094. In the following year, a reduction of about two and a half million pounds sterling was made in the Indian debt. But in the next year, an increase again took place. Substantial additions were also made to the debt in 1855-56 and 1856-57. These fresh issues were regarded by government officers as public works loans ; but in reality only portions of the sums realised from these operations were devoted to what might be called "works of public improvement."¹ Such amounts as were utilised in the construction of barracks and civil buildings could hardly be placed in that category. On the eve of the Mutiny, the Indian debt stood at £55,546,652. It rose to £60,704,084 by the end of the year 1857-58.²

The main cause of the growth of the public debt of India was war. In fact, the history of Indian debt may be described as the history of Indian warfare in its financial aspect. When we glance over the period of fifty-eight years of the Company's rule during the eighteenth century, we find that in no fewer than

¹ The subject gave rise to much discussion in the House of Commons, where considerable divergence of opinion was expressed.

² Converted at 2s. the rupee.

These figures are exclusive of the East India Stock and the guaranteed loans for railways.

forty-three of them were considerable, and often large, additions made to the public debt of the country, while only in fifteen did any diminution take place.¹ If we take the year 1834 as the starting-point of our inquiry, the result is not very dissimilar. It gives us seven years of decrease as against seventeen years of increase.

A word may be said about the nationality of the creditors of the government. The whole of the 'home bond debt' was, of course, held by Britishers. The bulk of the Indian debt was held by the Company's European servants and English merchants in the eighteenth century, while only a very small portion of it was held by Indians. Gradually, however, the proportion of Indian investors increased, until at the close of the Company's administration, about one-third of the Indian portion of the debt was held by Indians and two-thirds by Europeans.²

Lord Stanley, the first Secretary of State for India, pointed out in 1859 that, although the debt of India, absolutely considered, had greatly increased during the administration of the Company, yet, relatively to the amount of the annual revenue, there had not been any increase from the beginning of the nineteenth

¹ J. Wilson, *Financial Statement*, 1860.

² Warren Hastings wrote in 1786: "Our public credit, by which I mean the credit of our interest notes and treasury-orders, never extended beyond the English servants of the Company and the European inhabitants of Calcutta, and to these may be added a few, and a very few, of the old Hindu families of the Presidency. All the other inhabitants of the provinces are utterly ignorant of the advantage and security of our funds and have other ways of employing their money." *Memoirs*.

century till the outbreak of the Mutiny. He showed, by reference to the figures of revenue and debt, that very rarely had the debt exceeded the amount of two years' income during the whole period,¹ and remarked, "it was below that amount at the beginning of the century; it was below it in 1856-57." Further, by comparing the Indian debt with the British, he endeavoured to prove that the burden of debt of the people of India was lighter than that of the people of Great Britain. But, as was justly observed by John Bright, the argument was bad, for "it is a bad policy for a man who is just beginning to go wrong in his finances to compare himself with somebody who has been getting into debt in a manner unparalleled in the world." Besides, Lord Stanley's comparison was not sound, because, owing to the greater wealth and productive power of the country, the debt of England bore less onerously on her people than did the debt of India on a poor and half-starved population.

The rate of interest deserves some notice. It was 3 per cent. from 1773 to 1778 on the debt held in England. From 1778 till the early part of 1783, the rate

¹ He said: "In 1800 the debt was £16,600,000 and the revenue £9,200,000. In 1810 the debt was £29,000,000 and the revenue £16,600,000. In 1820 the debt was £37,000,000 and the revenue £21,300,000. In 1830 the debt was £45,000,000 and the revenue £21,900,000. In 1840 the debt was £33,800,000 and the revenue £19,500,000. In 1850 the debt was £51,900,000 and the revenue £25,800,000; while in 1856-57 the debt was £55,900,000 and the revenue £33,300,000." *Vide* Indian Financial Statement in the House of Commons, 1859. It should be remembered in this connexion that, while the mode of calculating by reference to the decennial years serves the useful purpose of indicating general progress or decline, it is not wholly satisfactory as a method of exact comparison. Lord Stanley ought to have taken either the annual figures or the decennial averages.

was 4 per cent. In the middle of the latter year, it rose to $4\frac{1}{2}$, and towards the end, to 5 per cent. This rate continued till 1787, when it was reduced to 4 per cent. But in 1796, it was again increased to 5 per cent. From that year till 1804, the rate of interest remained uniform at 5 per cent. Between 1804 and 1806, there were several variations ranging from 5 to 6 per cent. From 1806 to 1818, the rate was again uniform at 5 per cent. In the last mentioned year, there was a reduction to 4 per cent. In April 1825, there was a further reduction to $3\frac{1}{2}$ per cent., while in December of the year the rate fell to 3 per cent. But before the close of the year, it again rose to 4 per cent. In 1831, the rate of interest on a portion of the 'home bond debt' was reduced to $2\frac{1}{2}$ per cent. In 1853, the interest on nearly the whole of the bond debt was reduced to $2\frac{1}{2}$ per cent. But in 1857, the rate of interest on the new debenture loan was fixed at 4 per cent.

The rate of interest on the Indian portion of the debt in the latter half of the eighteenth century was very high. It varied from 6 to 12 per cent. When the financial embarrassment of the government was very great, or money was scarce in the market, high rates had to be offered in order to attract loans. During periods of comparative ease, the rates were generally low. In the nineteenth century, the highest rate was $11\frac{1}{2}$ per cent., which was offered only once, namely, in 1800-1. A 10 per cent. rate was offered twice, namely, in 1801-2 and 1805-6. In 1806-7, a loan was

successfully floated at 8 per cent. In 1809-10, the Bengal Government reduced the interest on a large portion of the debt from 10 and 8 per cent. to 6 per cent. From 1812-13 to 1822-23, the average rate of interest was 6 per cent. In 1823, the interest on a considerable portion of the 6 per cent. debt was reduced to 5 per cent. In September, 1824, a 4 per cent. non-remittable loan was opened, but not with much success. In the following year, nearly the whole of the 4 per cent. debt was transferred to a loan at 5 per cent. Thus, in the year 1827, there existed several rates of interest, the maximum being 10 and the minimum 4. Somewhat less than three-fifths of the debt outstanding at that date was held at 5 per cent., and about two-fifths at 6 per cent.

In 1834, the interest upon the 6 per cent. securities was reduced to 5 per cent. A 4 per cent. loan was raised in the years 1843 to 1845. In 1846, however, it was found necessary to re-open a 5 per cent. loan. In 1853-54, an important step was taken in consequence of orders received from the Board of Control. The 5 per cent. debt was entirely extinguished. Excepting the payment of a comparatively small sum in cash, the whole of the 5 per cent. loan was either converted into a 4 per cent. loan or replaced in the open 4 per cent. loan.¹ A fresh loan was floated at

¹ Sir Charles Wood described the operations in these words : " The general result of the whole transaction, including both that portion which was executed prior to my accession to office, and the conversion which the Governor-General has been able to effect in consequence of the directions

3½ per cent. The financial difficulties of the Mutiny led to an increase in the rate of interest. A 5 per cent. loan was raised in 1857, while the Governor-General in Council was given authority in 1858 to borrow at 6 per cent., in case he should find it necessary to do so.

It thus appears that the rate of interest considerably diminished during the second half of the Company's administration. In 1810, the average rate of interest was 8½ per cent. In 1857, it was little more than 4½ per cent.¹ Thus the history of the debt of India "presents a singular picture of the growth of public credit along with the increase of financial embarrassment, and of the increase of embarrassment with the increase of the public resources." ²

I sent him, may be stated in a few words. The total sum to be operated upon amounted to £27,212,000. There have been transferred directly or virtually in the manner I have described £25,765,000, there have been taken in cash £1,447,000, and the whole of the 5 per cent. debt has been extinguished. Upon the portion which has been transferred there has been a saving of one per cent., and upon the portion which has been paid off, there is of course a saving of 5 per cent." *Vide* Financial Statement in the House of Commons, 1854.

¹ Indian Financial Statement in the House of Commons, 1859.

² Wilson, *History of India*, bk. i., ch. vii.

CHAPTER IV

FINANCIAL RESOURCES

LAND REVENUE

LAND revenue formed the bulk of the State income in India during the entire period of the Company's rule.¹ The reader would, therefore, naturally expect a somewhat detailed treatment of the subject in a work on Indian finance.

During the Hindu as well as the Mahomedan period of Indian history, the public powers depended very largely, if not wholly, on the land for the supply of their resources. There was no absolute owner of the soil, but the produce of the land was divided between the King and the cultivators. The king's share

¹ Anderson, Croftes, and Bogle in their Report of 1778 wrote: "The revenue of Bengal may be classed under the three general heads of *Mal*, *Sair*, and *Baze Jama*. Under the head of *Mal* is comprehended such revenues as are of a fixed and ascertainable nature, and issue out of known and permanent sources. Of these, the rents of lands form so great a proportion, that the word *Mal*, in its common acceptation, is often exclusively used to express land rents. Other revenues, however, such as the rents of salt works, of orchards and of sugar manufactures, a tax on persons following particular professions, and some less considerable articles of profit, are referred to this branch." They wrote further: "Amongst all these various sources of revenue and profit, those which issue out of land form so capital and important a branch that, comparatively speaking, the revenue of Bengal may be said to consist in land rents." This Report furnishes valuable information regarding the condition of the raiyats and the exactions made by the zemindars. A substantial portion of the Report was published in Harington's *Analysis of the Bengal Regulations*. The whole of it has now been embodied in Ramsbotham's *Studies in the Land Revenue History of Bengal, 1769-1787*.

was, in Hindu times, ordinarily fixed at one-sixth, but was liable to be increased in case of necessity. Mahomedan rulers often demanded a higher proportion, the exact share being governed by custom and determined by practical, rather than theoretical, considerations.

The East India Company for the first time became the possessor of land in India when in 1669 the island of Bombay was made over to it by Charles II. This was held of the British Crown, and an annual rent of ten rupees was paid for the possession. The acquisition of lands from Indian owners did not commence till a few decades later. In 1698, the East India Company purchased the zemindari right to the three small towns of Calcutta, Sutanati, and Govindapur, by paying to the local zemindar fifteen hundred rupees and agreeing to pay to the Nawab of Bengal the same rent as had been paid by the previous zemindar.¹ This latter payment amounted to Rs. 1,194-14-11 a year, to meet which the Company was empowered to collect a maximum rent of Rs. 3 per bigha of land from the inhabitants. In 1704, the average annual balance left to the Company after paying the revenue was

¹ The English also paid Rs. 16,000 to Prince Azim-us-Shan as a present for his *sanad* granting permission to purchase the right to rent these villages.

The zemindar was at first unwilling to allow the English to occupy these towns, although the Company proposed to pay him one-fourth more than the usual rent. The reason he gave for his refusal was that the English "were a powerful people," and that he would not "be possessed of his country again." C. R. Wilson, *Old Fort William in Bengal*, vol. i., p. 35.

A. K. Ray thinks that the rights acquired by the English were not zemindari rights, but the rights of dependent *talugdars*. Census of India, 1901 (*Short History of Calcutta*, p. 22).

about 5,760 rupees. In 1732, an attempt was made to raise the rents in Calcutta. But the Nawab, by a peremptory order, forbade such action, telling the President in Council that they were presuming to do a thing which he had not power to do, and that if they persisted, they would, by the laws of the Empire, forfeit their lands.¹

No sooner did the Company acquire these lands than it began to exercise the functions of a zemindar. The rents were received by a collector,² who also acted as judge in civil and criminal matters. The Company, however, showed a great deal of hesitation in exercising the zemindar's authority in levying taxes to defray public expenditure. In 1754, the Company obtained from the local zemindar the possession of an adjacent district. After the capture of Calcutta by Siraj-ud-Daula and its recapture by the English, the Company obtained, in 1758, a *sanad* from Mir Jafar for free tenure of the town and its adjacent territory. This *sanad* directed that the rents, amounting to Rs. 8,836, "are forgiven to the end that they provide for the defence of their factory, and the safeguard of the seaports therein."³

In the meantime, on the eve of the Battle of Plassey, a treaty had been made with Mir Jafar for cession to

¹ J. Z. Holwell, 'Interesting Historical Events,' quoted in Firminger's *Introduction to the Fifth Report of 1812*.

² The collector was given the title of *zemindar*, and he became an additional member of the Council at Fort William. *Vide Firminger's Introduction to the Fifth Report of 1812*.

³ Quoted in Firminger, *Introduction to the Fifth Report of 1812*.

the Company of the zemindari rights of the Twenty-four Perganas, the Company paying the usual rents to the treasury. The collection of the revenue of these lands was for a while kept in the Company's own hands. But in 1759, it was decided to farm the revenues for a period of three years to the highest bidder at an auction. On the expiry of this period, the system of direct collection was tried for a year, after which lands were again let out in farm. The net income derived by the Company from the Calcutta and Twenty-four Perganas lands during the ten years 1760-61 to 1769-70 varied from about five lakhs to a little over eleven lakhs.¹ Out of this sum, a revenue of Rs. 2,12,332 was payable annually to the Nawab, which was conferred by Mir Jafar on Clive as a jaigir.²

In 1760, it was agreed between the Company and Mir Kasim that the lands of Burdwan, Midnapur, and Chittagong should be ceded to the Company. When Mir Jafar was restored to the throne, he, by a formal treaty, granted to the Company those territories as a zemindari. This grant was confirmed by Najm-ud-Daula in 1765, and subsequently by the Emperor Shah Alam.³

¹ Verelst, *A View of the Rise, Progress and Present State of the English Government in Bengal*, p. 73.

² This was confirmed by a *farman* of the Emperor. As, however, doubts arose as to whether Clive was entitled to the jaigir, it was ultimately decided that the income should be bestowed on him for ten years.

³ The amounts received by the Company in 1761-62 were as follows : Chittagong (from January, 1761 to April, 1762), Rs. 7,28,508 ; Midnapur, Rs. 8,57,983 ; Burdwan, Rs. 38,41,987. The average rents from these territories during the eight following years were : Chittagong, 4 lakhs ;

The *Diwani*, as has already been noticed, was acquired by the Company in 1765.¹ This acquisition, however, did not immediately affect the system of revenue administration which had been adopted in the zemindari lands and the ceded districts of Burdwan, Midnapur, and Chittagong. These lands continued for a time to be managed by the covenanted servants of the Company. But, as the European officials did not possess sufficient knowledge of the country and its people, it was considered expedient to entrust the collection of the revenues of the *Diwani* lands to Indian agency. The actual work was for several years carried on by the Naib Subah, Mahomed Reza Khan, who also acted as Naib Diwan for Bengal. The collections of the province of Behar were placed under the management of Raja Shetab Ray. On behalf of the Company, the work was supervised by the Resident at the Nawab's Court at Murshidabad and by the Chief at Patna.² The supreme authority in the matter of revenue collection was vested in the Select Committee of the Council at Fort William.

Midnapur, 8 lakhs, and Burdwan, less than 40 lakhs. Verelst, *A View of the Rise, Progress and Present State of the English Government in Bengal*, pp. 72-74.

¹ Ascoli rightly observes that the grant of the *Diwani* "gave no sovereign power," but "it was the starting-point of the British revenue administration." *Early Land Revenue History of Bengal*, p. 30.

In the Fifth Report of 1812 we read: "In the following year, the President of the Council of Fort William (Lord Clive) took his place as *diwan*, or collector of the revenue, for the Mogul, and in concert with the Nawab, who sat as *nazim*, opened the *punyaha*, or ceremonial of commencing the actual collections in darbar, held at Moti-jhil, near Murshidabad."

² Fifth Report of the Select Committee on the Affairs of the East India Company, 1812.

In 1769, Supervisors were appointed with powers of superintending the work of Indian officers.¹ In the following year, two Controlling Councils of Revenue with superior authority were established at Murshidabad and Patna. The Supervisors were instructed to obtain information relating, among other things, to the state, produce and capacity of the lands, the amount of the revenues, the cesses or arbitrary taxes or other demands made upon the cultivators, and the manner of collecting them.²

For seven years after the grant of the *Diwani*, the state of Bengal was one of disorder, and the people were subjected to a great deal of oppression and tyranny. The rulers exacted what they could from the zemindars and the great farmers of revenue, while these latter, in their turn, plundered all below. "The whole system," to use the words of the Select Committee, "thus resolved itself, on the part of the public officers, into habitual extortion and injustice, which produced on that of the cultivator the natural consequences, concealment and evasion, by which the government was defrauded of a considerable part of its just demand."³

¹ "To attempt a reformation, and at the same time to preserve the revenues entire required a minute local investigation. Supervisors were accordingly appointed." Verelst, *View of the Rise, Progress and Present State of the English Government in Bengal*, p. 75. The exact designation of these officers was Supravisors.

² Fifth Report, 1812.

³ The President and Council of Bengal wrote to the Court of Directors : "The Nazims exacted what they could from the zemindars and the great farmers of revenue, whom they left at liberty to plunder all below, reserving

A terrible famine devastated the land in the year 1769-70, in consequence of which about one-third of the population of the province perished. The conduct of the Company's servants, both European and Indian, during this calamity was far from satisfactory. So callous were the public officials to human suffering that, notwithstanding the loss of population and the consequent decrease of cultivation, the net revenue collections of the year 1771 actually exceeded those of the pre-famine year, 1768.¹ "It was naturally to be expected," observed the Committee of Secrecy, "that the diminution of the revenue should have kept an equal pace with the other consequences of so great a calamity; that it did not was owing to its being violently kept up to its former standard."²

to themselves the prerogative of plundering them in their turn, when they were supposed to have enriched themselves with the spoils of the country. The *mutsuddis*, who stood between the Nazim and the zemindars or between them and the people, had each their respective shares of the public wealth." Letter dated 3rd November, 1772. *Vide* Fifth Report of the Committee of Secrecy, 1772.

¹ This will appear from the following abstract of accounts of the Board of Revenue at Murshidabad for the four years 1768-1771 :

	Rupees.
1768 (Bengali year, 1175), net collections - - - -	1,52,54,856
1769 (or 1176), the year of dearth which was productive of famine in the following year, net collections - -	1,31,49,148
1770 (or 1177), the year of famine and mortality, net collections - - - - -	1,40,06,030
1771 (or 1178), net collections - - - - -	1,57,26,576
Deduct the amount of deficiencies occasioned by unavoidable loss to the government - - -	3,92,915
	<hr/> 1,53,33,661

Letter from the Governor and Council at Fort William, dated the 3rd November, 1772. *Vide* further Report from the Committee of Secrecy, 1772.

² The Committee of Secrecy remarked : "To ascertain all the means by which this was effected will not be easy. . . . One tax, however, we will

The Court of Directors, in their letter to the President and Council at Calcutta, dated the 28th August, 1771, signified their intention "to stand forth as *Diwan*, and by the agency of the Company's servants to take upon themselves the entire care and management of the revenues."¹ Accordingly, in 1772, the office of Naib Diwan was abolished, and the administration was entrusted to British agency. By a proclamation dated the 11th May, 1772, it was announced that Nawab Mahomed Reza Khan had been divested of his station as Naib Diwan, and that his duties had been taken over by the Chief and Council of Revenue at Murshidabad. The following list of the several branches of business appertaining to the Diwani was announced: "The appointment of *amils* into the mofussil; the collections of the districts and whatever belongs to matters relating thereto, the *bandobust* of the Perganas; the examination of Diwani sanads; charity lands, and religious endowments; the investigation and forming of a *hastabud* of the districts; the incorporating or separating of one district from another; the constituting and dismissing of zemindars with the concurrence of the Nazim; the cultivation of the country, and whatever tends to increase the

endeavour to describe. . . . It is called *najay*, and is an assessment upon the actual inhabitants of every interior division of the lands, to make up for the loss sustained in the rents of their neighbours who are dead or have fled from the country. . . . The tax, not being levied by any fixed rate or standard, fell heaviest upon the wretched survivors of those villages which had suffered the greatest depopulation, and were, of course, most entitled to the lenity of government." Further Report, 1772.

¹ Report of the Committee of Secrecy, 1772.

revenue ; taking cognizance of complaints against the unjust demands of amils and zemindars, which occasion the desertion of the ryots ; the ascertaining of boundaries of each zemindari, and adjusting the complaints of disputants ; the investigation of taluks, and adjusting the rights of talukdars ; the issuing of *parwanas* to enforce payment of the revenue ; and the calling delinquents out of the mufassal, on the complaint of the oppressed.”¹

Immediately after the issue of the proclamation, the Controlling Council at Murshidabad received charge of the records of the several offices dependent on the *Divani*. A plan was adopted for the management of the revenue, the main features of which were the following : At the Presidency, a Board of Revenue, consisting of the President and four members, was formed, under whom were appointed an Accountant-General and a number of assistants. The *Khalsa* (or exchequer) and the treasury were removed from Murshidabad to Calcutta, and an adequate staff was appointed. The designation of Supervisors in the districts was changed to that of Collectors, with whom were associated Indian officers, styled Diwans. A settlement of revenue for five years was decided upon, and four members of the Committee proceeded on a circuit through the provinces, with powers to carry into execution the purpose of this decision.²

¹ *Proceedings of the Controlling Council of Revenue at Murshidabad*, pp. 15, 16.

² Fifth Report, 1812.

With regard to settlements, the Directors sent instructions to India urging that the government should not "by any sudden change, alter the constitution or deprive the zemindars, etc., of their ancient privileges and immunities." These instructions, however, were not carried out. At a meeting of the Committee of Revenue, dated the 14th May, 1772, the following resolution was passed: "There is no doubt that the mode of letting the lands in farm is in every respect the most eligible. It is the most simple, and therefore the best adapted to a government constituted like that of the Company, which cannot enter into the detail and minutiae of the collections." ¹

Offers were, accordingly, invited for each pargana from landholders, speculators, and adventurers, and those of the highest bidders were accepted. Security was obtained from the farmers for payment of government revenue. The settlement was made for five years in the hope that farmers might be induced, "by motives of self-interest, to attend to the improvement of the lands." ²

Before the formation of the settlement of 1772, the Committee of Circuit resolved on the subtraction of certain taxes from the public revenue which were

¹ Report of the Committee of Secrecy, 1772.

² *Vide* Plan of Hastings and Barwell, 1775; Appendix 12 to the Sixth Report of the Select Committee, 1782.

The author of *British India Analysed* wrote in 1793: "The plan of settlement for five years, exclusive of the form of lease by auction, seems generally modelled to the *bandobust* of 1765; and its improved amount, by Mr. Grant's calculation, exceeded Kasim Ali's net *malguzari* revenue by three lakhs." P. 339.

considered by them as impolitic and oppressive. These were *bazi jama*,¹ *sair chalunta*,² *marocha* and *haldari*.³ *Nazars* and *salamis*⁴ were also discontinued. It was notified that the farmers should neither pay the amount of these taxes to the government nor be allowed to collect them from the people. These instructions to the farmers were, however, observed more in the breach than in the observance. The Council of Revenue and the Committee of Circuit also laid down some very useful regulations under which banyans and servants of Collectors were to be precluded from holding any concern, directly or indirectly, in any farm, and no European was to be permitted to rent lands in any part of the country. Unfortunately, these wholesome regulations were "totally disregarded."⁵ Another regulation was to the effect that no demand was to be made over and above the sum expressed in the rent-roll delivered to a farmer along with his lease. The Directors, however, found later

¹ Fees and fines.

² Duties imposed on goods passing the zemindari *chaukis*.

³ Taxes on marriage.

⁴ Presents offered as marks of respect and subordination.

⁵ Extract from the Company's General Instructions to the Governor-General and Council, dated the 29th March, 1774. *Vide* Sixth Report of the Committee of Secrecy, 1781, Appendix No. 11. The observations of the Committee of Revenue on these regulations are worthy of note. They said: "That if Collectors or any persons who partake of their authority are permitted to be the farmers of the country, no other persons will dare to be their competitors; that of course they will obtain the farms on their own terms; that it is not fitting for the servants of the Company to be dealers with their masters; that Collectors are checks on the farmers, but if they themselves turn farmers, no checks can be found for them; that the Company will not have any security for their property, nor will the ryots be able to obtain relief against oppression."

to their concern that little regard had been paid to this regulation, and that 1,25,000 rupees per annum had been “demanded, and upwards of 98,000 rupees received, upon two inconsiderable farms, independent of the agreement made with the Company, and claimed by our servants as a perquisite of office, or emolument of station.”¹

The results of the new arrangements proved very unsatisfactory. A change of management was made in 1774. The European Collectors were recalled, and Indian *amils* placed in their stead. The general mode which was adopted in 1772 was as follows: For the superintendence of the collections, the provinces were formed into six divisions, each comprehending several districts, under the direction of a Chief and Council. The headquarters of these divisions were at Calcutta,² Burdwan, Dacca, Murshidabad, Dinajpur, and Patna. A Diwan or revenue officer was appointed for each division, who was connected with the Council, and kept all the accounts and records in the language of the country. The Indian *amils* or superintendents of the districts corresponded with the Provincial Councils and Diwans. The Diwans transmitted their accounts and proceedings to the *Khalsa*, which had been recently removed from Murshidabad to Calcutta. The *Khalsa* was under the charge of an officer called

¹ General Instructions to the Governor-General, March 29, 1774.

² The Council at Calcutta was given the designation of Committee of Revenue, and it consisted of two members of the Board of Revenue and three senior servants of the Company.

the Ray-Rayan,¹ who occasionally sat at the meetings of the Council of Revenue, and was the channel of communication between the Board of Revenue and the Diwans.

In 1776, Hastings proposed that the question of settlement should be fully investigated by a Committee of European civil servants, with the assistance of Indian *amins*. The proposal was opposed by Philip Francis and General Clavering. The Governor-General, however, decided the matter by his casting vote. He appointed Anderson and Bogle as a temporary commission for the purpose, and the Accountant-General was afterwards associated with them. A large number of *amins* was deputed to the districts to collect information regarding the amount of revenue, the various taxes levied by the zemindars, and all other cognate matters. The appointment of this Committee was, however, disapproved by the Court of Directors.²

Before the expiry of the five years' lease, the question of settlement formed the subject of discussion

¹ The post of Ray-Rayan had been created at the time of the abolition of the office of Naib Diwan. The Ray-Rayan now became the superintendent of the district Diwans. When a Diwan was appointed to the Committee of Revenue established in 1781, the Ray-Rayan became an officer of the Supreme Council, and was not allowed to interfere with the business transacted by the Diwan of the Committee.

² The Directors wrote : " We are astonished at such a proposition. . . . The minutes of General Clavering and Mr. Francis leave us little to add on this disagreeable subject." Extract from a letter from the Court of Directors, dated the 31st January, 1776. Bengal Records.

The Committee submitted their Report in 1778. No action seems to have been taken on it.

among the members of the Governor-General's Council. After some general discussion, it was decided that the separate opinions of the members of the Council should be recorded in the form of Minutes, and submitted to the Court of Directors. In 1775, Warren Hastings and Barwell prepared a joint plan, the main features of which were as follows: First, that all new taxes levied since 1764-65 were to be abolished; secondly, that all districts were to be farmed out, on leases for life or for two joint lives, to such reasonable people as would offer the most advantageous terms, allowing a preference to the zemindars if their terms were equal, or nearly equal to those of others; thirdly, that it was to be stipulated that there would be no proposals for an annual increase; fourthly, that it would be observed as an invariable rule that if any zemindar failed in his agreements, his zemindari, or such part of it as might be necessary to make up the deficiency, should be publicly sold; and fifthly, that if the zemindar did not farm his own zemindari, he would be entitled to an allowance of 10 per cent.¹ The authors of this plan suggested that settlements would be best made with zemindars whose estates yielded them from Rs. 10,000 to two lakhs of rupees; for the proprietors of very large estates were likely to possess excessive influence and might even become

¹ Report of the Select Committee, 1782, Appendix No. 12. Of the other proposals, two are worthy of mention, namely, that each zemindar or farmer be authorised to exercise *faujdari* jurisdiction, and that for the salt contracts a preference be allowed to the land farmer.

formidable in case of a war, while the collection of revenue from very small zemindaries was liable to be attended with much trouble and expense.

In 1776, Philip Francis prepared a rival plan, and had it recorded in the Minutes of the Council. In the preliminary portion of his document, he observed : " With respect to the collection of the revenues, the system of the present government is upon principle the reverse of what it ought to be, and, I believe, such as never was adopted by any other government."¹ The central feature of his scheme was a system of permanent settlements. A few years previously, Alexander Dow had advocated a similar system in his *History of Hindusthan*, and it is not improbable that Francis owed the suggestion to this work.² He recommended

¹ Francis added : " It cannot be denied that Bengal was in a much more flourishing state during the last century than it ever has been under the English establishment."

² Dow wrote : " The decline of agriculture, of commerce, and of trade, in the kingdom of Bengal, have been already represented, and the ruinous consequences of farming out the lands from year to year have been amply explained. Though long leases might greatly contribute to remove these evils, there is no possibility of doubt, but the establishment of real property would more immediately and effectually promote a certainty of prosperity to the kingdom. Let, therefore, the Company be empowered, by Act of Parliament, to dispose of all the lands in Bengal and Behar, in perpetuity, at an annual sum, not less than the present rents. This single operation would have a chain of beneficial effects. . . . Mankind, it is easy to perceive, would, in an empire where no real property exists, crowd to a country in which they could enjoy the fruits of their labour, and transmit them to their posterity. Cultivation would be the consequence of security. The farmer would improve, to the height, lands that were his own. The revenue would be regularly paid without the heavy expense of a band of oppressors, under the name of Collectors, who suck the very vitals of the country ; and nothing would be required but a few comptoirs for the purpose of receiving the rents. The whole face of the country would be changed in a few years." *History of Hindusthan*, pp. cxl, cxli.

that the whole demand upon the country should be founded on an estimate of the expenditure, both civil and military, and investment, with an allowance of a reasonable reserve for contingencies.¹ When the gross sum to be levied was determined, each zemindari was to be assessed its proportion, and this sum was to be declared the quit-rent of these lands in perpetuity. This distribution was to be called the *Tumar Jama*, which was to be permanent and unalterable. It was not to be increased in any emergency whatsoever; but temporary distress might be provided for by temporary contributions, which a flourishing country would not feel. There would be no necessity under such a scheme for a *hastabud*.² The zemindar would be informed that the due discharge of his rent was the tenure by which he held his lands; if a balance were incurred, a part of his zemindari would be sold. As the new plan gained strength, the zemindars would be again placed, to a large extent, in the exercise of their ancient duties, such as the repairing of roads, dykes, and bridges, the care of ferries, and the plantation of trees. They would also be obliged to keep the old establishment of *paiks* and bearers for the security of villagers and assistance to travellers. The zemindars would thus be the instruments of government in almost

¹ "I know not," he wrote, "for what just or useful purpose any government can demand more from its subjects; for unless expenses are created for the express purpose of absorbing the surplus, it must lie dead in the Treasury, or be embezzled." Sixth Report of the Select Committee, 1782, Appendix 14.

² Measurement of lands.

every branch of the civil administration. In Francis's opinion, the land was the hereditary property of the zemindar, who held it on the tenure of paying a certain contribution to the government. The same security, however, which the government would give to the tenant-in-chief was to descend in gradations, so that every rank of society and every member of it might have something to call his own. It was to be made an indispensable condition with the zemindar that he would grant a *patta*¹ to every tenant, which would be as sacred as the zemindar's quit-rent.²

Philip Francis was thus the first promoter of the Permanent Settlement.³ His *Plan of Settlement* was published in England in 1782, and it influenced, in no small measure, the revenue policy which was adumbrated in Pitt's India Act of 1784, and embodied in the Despatch of the Court of Directors in 1786.⁴ For the moment, however, the Court of Directors did not consider it advisable to adopt either the plan of Hastings or that of Francis. They directed that a settlement should be made for one year.

Meanwhile, the settlements of 1772 had proved a disastrous failure. Many of the *ijaradars* or farmers,

¹ Document of lease.

² Sixth Report of the Select Committee, 1782, Appendix 14.

³ This view is expressed by Firminger in his Introduction to the Fifth Report. Ramsbotham points out that the Council of Revenue at Patna had in 1772 urged a plan of long or perpetual leases, and that similar suggestions had been made by several officers of the Company. *Studies in the Land Revenue History of Bengal*.

⁴ Forrest says: "It was Philip Francis who first started in England the project of having a permanent revenue settlement in Bengal."

who had engaged to pay inordinately large sums, had failed in their engagements, and defalcations had occurred to a large extent.¹

The total land revenue demands in the province, including the *Diwani* lands, the ceded lands, and subah Behar, in the five years 1772-73 to 1776-77, were Rs. 2,85,65,622, Rs. 2,94,03,008, Rs. 2,92,78,642, Rs. 2,88,95,258, and Rs. 2,87,31,330 respectively. The collections amounted to Rs. 2,70,35,681, Rs. 2,71,80,260, Rs. 2,78,79,459, Rs. 2,73,19,272, and Rs. 2,64,20,146 respectively. There was thus a total accumulated arrear of Rs. 90,39,042. Of this balance, a sum of Rs. 35,71,093 was remitted. The actual net amount of the total arrear was Rs. 54,67,949.

It was resolved in 1777 to recall all the farmers and to put the lands under the management of their respective proprietors, provided they possessed capacity and agreed to engage for the amounts of the previous settlement or for such amounts as the Provincial Council might consider reasonable. Where the zemindars were incapable of managing their lands, these were placed under the management of the provincial Diwans, or *sazawals* were appointed.² In cases in which zemindars refused to retain their lands

¹ Hastings claimed that "under this system of farming, the Burdwan province had been greatly improved." But he admitted that in the other districts the desired improvement had not, in general, taken place. He added: "It has been chiefly obstructed by a circumstance which could not be foreseen; we mean the farmers having engaged for a higher revenue than the districts could afford."

² Extract from Letter of the Governor-General in Council to the Court of Directors, dated the 18th November, 1777.

on the conditions imposed upon them, they were farmed. A preference was given to such zemindars and farmers as were willing to take the salt mahals within the limits of their farms. One important innovation introduced on this occasion was a stipulation in the *kabuliyats*¹ that, in the event of their falling in arrears, the zemindars should be liable to be dispossessed, and that their zemindaries, or portions of them, should be liable to be sold to make up the deficiency. During the three following years, settlements were made on the same principles, and by European agency. But the average produce of this period was less than that of the period during which the revenue administration had been entrusted to Indian agency.

Another change in management was, therefore, made in 1781.² By the new plan, the Provincial Councils were abolished,³ and all the collections were proposed to be gradually brought down to the Presidency and there administered by a Committee of Revenue consisting of four of the ablest and most experienced civil servants. The Presidents of the Provincial Councils, now abolished, were instructed to act as Collectors under the Committee of Revenue. The record office

¹ Agreements.

² Firminger suggests that the departure of Francis from India supplied the opportunity for Hastings to give effect to his plan of revenue organisation formed in 1772.

³ The Select Committee thought that the action of Hastings in abolishing the Provincial Councils was "a very unjustifiable and dangerous innovation." Report of the Select Committee, 1782.

was placed under this Committee. The members of the Committee of Revenue had no fixed salaries, but were allowed a commission of 1 per cent. on the amount realised, which was doubled on such sums as were paid immediately into the treasury. Hastings hoped by these means to effect a saving of several lakhs to the Company, the zemindars and the ryots, and also to make a large addition to the collections.¹ The European officers attached to the Committee also received a commission. The members of the Committee as well as the officers were bound by oath to restrict themselves to the avowed official allowances.² The Kanungos were reinstated in the complete possession of all the functions and powers which constitutionally appertained to their office. The office of the Superintendent of the Khalsa was abolished.

Immediately after taking office, the Committee submitted to the government a plan for the formation of a new settlement. All the proposals contained in the plan were accepted by the government except one, namely, that of entrusting the work of settlement to the Collectors and their Indian agents. The Committee was required to make the settlement by

¹ David Anderson was appointed the President, while John Shore, Samuel Chartres, and Charles Croftes, became members of the Committee of Revenue. On their admission to the office, each of them took an oath faithfully to discharge the same, and not to receive, directly or indirectly, from any zemindar or other landholder, or any dependent of the Committee, any present or gratuity of any kind whatever; nor to acquire or receive any lucrative advantage by their offices. *Vide* Extract from the General Letter to the Court of Directors, dated 5th May, 1781.

² *Vide* Extracts from Hastings's letter to Major Scott, dated 15th May, 1781. Report of the Select Committee, 1782, Appendix No. 8.

deputation on the spot, subject to the final decision of the government, in all cases where they could not themselves conclude it. They were directed, at the same time, to encourage the practice of paying the rents into the *khalsa* at the Presidency, instead of into the *mufassal* treasuries.¹ By the new settlement, an increase of twenty-six lakhs of rupees was effected on the former *jama*.² This settlement was made for one year, and annual settlements were made during the next few years.

In 1784, Pitt's India Act was passed. By the 39th section of this Act, the Directors of the East India Company were commanded to enquire into the grievances of the landholders and others, and to take steps towards "settling and establishing, upon principles of moderation and justice, according to the laws and constitution of India, the permanent rules by which their respective tributes, rents, and services, shall be in future rendered and paid."

In 1786, Lord Cornwallis was appointed Governor-General of Bengal. He was furnished with instructions from the Court of Directors in a letter dated the 12th April. In this letter, the Directors intimated their disapproval of the frequent changes which had marked the financial system in Bengal, and expressed their preference for a steady adherence to almost any one system, attended with watchful

¹ Treasuries in the interior of the country.

² Fifth Report, 1812.

superintendence. They censured the ineffectual attempts that had been made to increase the assessment of revenue, which had in many instances taxed the zemindars out of existence, to make room for farmers, *sazawals*, and *amins*, who, having no permanent interest in the land, drained the country of its resources. They noticed the heavy arrears outstanding on the settlement of the previous four years, and expressed the opinion that the best security for the revenue was the hereditary tenure of the possessor of the land. They, therefore, directed that the settlement should be made, in all practicable instances, with the zemindar. In respect of the amount of the assessment, the Directors discouraged minute local scrutinies, and suggested the average of former years' collections as the guide to the new settlement. The Court concluded their instructions with the remark that "a moderate *jama* or assessment, regularly and punctually collected, unites the consideration of our interest with the happiness of the natives and security of the landholders more rationally than any imperfect collection of an exaggerated *jama*, to be enforced with severity and vexation." Regarding the period of settlement, they said that it was their intention to make it ultimately permanent and unalterable; but, for special reasons, they desired that, in the first instance, the settlement should be concluded for ten years. They further recommended that the rights and privileges

of the zemindars and other landholders under the Hindu and Mahomedan Governments should be ascertained.¹

On arrival in India, Lord Cornwallis found that the government did not possess information sufficient to enable him to introduce at once a permanent settlement. He, therefore, decided to continue for a time the practice of annual settlements. Meanwhile, inquiries were instituted regarding the past history of the districts and of the landholders belonging to them, the rights of the different orders of landholders, the existing rules by which the revenue was collected as compared with the ancient modes of collection, the amount of revenue which it would be proper to demand from each landholder, and the regulations it might be necessary to establish in order to guard the under-tenantry and cultivators against oppression.²

A large mass of information was ultimately obtained. Most of the experienced officials expressed themselves in favour of the settlement being made with the zemindars. On the question of amount of the assessment to be fixed on the land, considerable difference of opinion prevailed. James Grant, the Chief Sheristadar,³ wrote a thesis in which he attempted to prove that the real value of the lands had been concealed, and suggested that the total assessment ought to be over

¹ Fifth Report, 1812.

² *Ibid.*

³ Record-keeper.

half a million per annum more than had at any time been collected by the Company. John Shore, President of the Board of Revenue, on the other hand, thought that Grant's calculations were wrong. A Minute written by Shore¹ formed a very valuable contribution to the discussion of the subject. Shore controverted the opinion expressed by Grant that the country was "prodigiously underrated." Grant considered the entire original gross produce of the lands of Bengal to be 20 crores of rupees, while Shore thought that it did not exceed $8\frac{1}{2}$ crores. Grant's opinion was based on the fact that Mir Kasim had been able to greatly augment the assessment. But Shore expressed his conviction that this demand was "a mere pillage and a rack-rent," and he doubted if it had ever been realised. He pointed out that from the time of Turya Mal in 1582 until that of Jaffar Khan in 1728, the increase had been moderate; from the latter period to Ali Vardi's administration in 1755, it had been "rapid but not perhaps excessive"; while in 1763, it had been violent and exorbitant. That Shore's opinion was correct was also proved by the fact that both Maharaja Nanda Kumar and Nawab Reza Khan had found it necessary to substantially reduce the assessment of Mir Kasim. "A precedent derived from tyranny and extortion," observed Shore, "can have no weight with those who do not wish to

¹ He was afterwards raised to the peerage with the title of Lord Teignmouth. Shore succeeded the Marquis of Cornwallis as Governor-General of Bengal.

imitate it, nor can such means be productive for a continuance.”¹

After tracing the progress of the assessment since the acquisition of the *Diwani*, Shore pointed out that the amount had generally been fixed by conjectural estimate only,² and it had often happened that the impositions had been too heavy to be discharged, so that the government had often been compelled to grant

¹ Minute of John Shore, dated the 18th June, 1789. Appendix to the Fifth Report, 1812. Shore stated that the impositions subsequent to the administration of Jaffar Khan had been as follows :

By Shuja Khan, from 1722 to 1728	-	-	-	Rs. 19,14,095
By Ali Vardi Khan, from 1728 to 1755	-	-	-	22,25,554
Total in thirty-three years				41,39,649
By Mir Kasim, 1763	-	-	-	74,81,340
Total in forty-one years				Rs. 1,16,20,989

“It is necessary,” says Shore, “to remark that these imposts were founded upon principles unknown to the Moghul constitution, and that the *tumar jama*, or standard assessment, to which this increase was superadded in 1728, was rated at Rs. 1,42,45,561. To this amount it had risen, in a period of 146 years, from the sum of Rs. 1,06,93,152, the settlement of Turya Mal. We are not to forget that Rs. 14,35,593 of the revenues of new territories constitute part of the difference. The sum of Rs. 1,16,20,989, with an addition of Rs. 2,58,857, the amount of a tax levied by Jaffar Khan in 1772, forms the total increase effected by the *subahdari abwab*, or viceregal imposts, consisting of twelve principal articles.”

The settlement of Bengal at the close of Kasim’s administration was thus stated by Grant :

<i>Tumar</i> , or standard assessment	-	-	-	Rs. 1,41,16,116
<i>Abwab</i> in eight articles to the death of Ali Vardi in 1756, with the <i>serf sicca</i> of Kasim	-	-	-	42,23,467
<i>Keffayet</i> of Kasim, in three articles with <i>abawab subahdari</i> of Jaffar Khan in part	-	-	-	45,23,563
<i>Towfeer</i> of Kasim, including increase in the Jaigir of Dacca	-	-	-	31,62,358
Total imposts				Rs. 1,19,09,388
Deduct allowances and charges	-	-	-	4,01,276
Total assessment of Bengal in 1763	-	-	-	2,56,24,228

² Minute of John Shore, dated the 18th June, 1789.

remissions. He then showed by a comparison of the assessment of 1786-87 with that of 1765-66, the first year of the *Diwani* assessment, that both the gross and net revenues had considerably increased.¹ In opposition to the idea of enhancing the assessment, Shore advanced certain important facts and observations: First, there had been a diminution in the population from the famine of 1770,—which had carried away, at a modest estimate, more than a fifth of the inhabitants,—from a less severe famine in 1784, and from inundations and partial scarcity in 1787 and 1788. Secondly, it was a patent fact that the zemindars were needy and embarrassed with debt. Thirdly, the Company were merchants as well as sovereigns of the country; in the former capacity, they engrossed its trade, while, in the latter, they appropriated the revenues. This last point was very important in his opinion, for he believed that whatever allowance might be made for the increased industry of the people, the benefits were “more than counterbalanced by evils inseparable from the system of remote foreign dominion.”² Shore was also opposed to a progressive increase of the assessment. He expressed his strong conviction of the propriety of establishing a fixed *jama*, which should be unalterable during the continuance of the settlement.

¹ As an instance he referred to the assessments made between 1762-63 and 1786-87 of the district of Rangpur, which had varied on each occasion, the extent of the variation being from 5 lakhs to 11½ lakhs.

² Shore's Minute, dated the 18th June, 1789.

The question of agency for the collection of the revenue had already been decided by the Court of Directors. But Shore deemed it his duty to record the observations suggested by his own experience. There were three methods which might be adopted for this purpose. The first was to employ officers on the part of the government to collect the revenue immediately from the *rai-yats*.¹ This mode of management was usually termed *khas*. The due and successful administration of the plan presupposed sufficient knowledge and experience on the part of the Collectors, which was rarely to be found in actual practice. The merits of such a system were these: the Collector would have it in his power to reduce the cesses where they were burdensome, to encourage improvement, to protect the tenants from exaction and oppression, and to bring into the coffers of the government the profits of farmers and other intermediaries. But its main defect was that the government could never feel secure in respect of its revenues; where the *rai-yats* failed or were unable to pay, there was no remedy. The annual collection of the revenue would thus be subject to considerable variation.

The advantages of collecting the revenue through farmers were, in Shore's opinion, few and small, whilst the disadvantages were many and great. A temporary farmer could never be expected to undertake permanent improvements. This system thus stood uni-

¹ Tenants.

versally condemned. The third method was to make a settlement with the zemindars. Shore found that an extent of territory yielding a revenue of one crore of rupees was the property of seven zemindars, namely, those of Burdwan, Rajshahi, Dinajpur, Nadia, Birbhum, Bishnupur, and Jessore. He did not entertain a high opinion of the bulk of the zemindars. But the Company having admitted their right as proprietors of the lands, it would, he thought, be unjust to go back upon it. But what weighed most with him was his conviction that this method united the interests of the subjects with those of the government, inasmuch as it afforded "the only substantial security for the revenues, by making the property of the lands responsible for it." Nor were political considerations wholly absent from his mind. "The demands of a foreign government," he observed, "ought certainly to be more moderate than the impositions of native rulers, and to render the value of what we possess permanent, our demands ought to be fixed. Removed from the control of our own government the distance of half the globe, every practicable restriction should be imposed upon the administration in India, without circumscribing its necessary power; and the property of the inhabitants be secured against the fluctuation of caprice or the licence of unrestrained control." Shore concluded his Minute with the significant words: "The detail will, I hope, establish what I profess, the sincerest

inclination to fulfil the orders of the Court of Directors and to promote the true interests of the British nation in India, by establishing a system of administration for the revenues of this country on declared, permanent, and moderate principles.”¹

But although Shore favoured the idea of fixing the government demand for ever, he did not desire that the proposal should come into force at once. When, therefore, the Resolutions proposed by the Board of Revenue to give effect to the policy of a permanent settlement came up before the Governor-General's Council, Shore recorded a Minute suggesting some alterations and additions to some of them. The second Resolution proposed by the Board ran thus : “ That the settlement be made for a period of ten years certain, with a notification that, if approved by the Court of Directors, it would become permanent, and no further alteration take place, at the expiration of ten years.” Shore thought that the servants of the Company were not yet fully aware of all the abuses which were practised by the zemindars and their officers in collecting the revenue. Nor did he think that it was possible to pronounce on the success of the scheme without experience. He, therefore, doubted the propriety of the assurance which was proposed to be given to the zemindars. He observed further : “ We cannot answer for the confirmation of it ; and if it be not confirmed, the confidence of the natives

¹ Minute dated the 18th June, 1789.

will be shaken.”¹ He, therefore, suggested that the first part of the resolution, namely, “that the settlement be made for a period of ten years certain,” be confirmed, and that the remainder be omitted.

Lord Cornwallis did not agree with Shore on this point. He held the view that, unless an assurance of a permanency was given, the lands would not only not be improved but would be desolated, and jungles would not be cleared. He understood the word permanency to apply to the *jama* only, and not to the details of the settlement, and he was sure that many regulations would be afterwards required to give further protection to the raiyats.²

Shore wrote two other Minutes, in which he fully discussed the difficulties in the way of the immediate establishment of a permanent settlement, and reiterated his conviction that it would be “better to introduce a new principle by degrees, than establish it at once, beyond the power of revocation.”³ The Governor-General, on the other hand, maintained in

¹ Minute dated the 18th September, 1789. Extract from the Bengal Revenue Consultations. *Vide* Firminger's Edition of the Fifth Report, 1812.

² Governor-General's Minute dated the 18th September, 1789.

³ Shore's Third Minute. *Vide* Extract from the Bengal Revenue Consultations, 21st December, 1789.

One of the grounds urged in this Minute for delaying a permanent settlement is worth noticing. Shore said: “The most cursory observation shows that the situation of things in this country is singularly confused. The relation of a zemindar to Government, and of a ryot to a zemindar, is neither that of a proprietor nor a vassal, but a compound of both. The former performs acts of authority, unconnected with proprietary right; the latter has rights, without real property; and the property of the one, and rights of the other are, in a great measure, held at discretion. Such was the system which we found, and which we have been under the necessity of adopting.

his replies that it would be conducive to the interests of both the rulers and the ruled to announce the intention of the Company to fix the revenue for ever.

A medium of the actual produce to the government in former years was accepted as the basis on which the assessment on each estate was to be ultimately fixed in Bengal and Orissa, keeping in view the principle laid down by the Directors about a moderate *jama* being preferred to an exaggerated one, imperfectly collected. In Behar, the standard was to be the average produce of the land in any ordinary year.¹ The Collectors, who were entrusted with the actual work of assessment, reported in detail to the Board of Revenue, and on their recommendation, the government concluded a settlement with the zemindars for ten years. The orders and instructions for the Decennial Settlement were issued for Bengal in 1789, and for Behar in 1790.²

An amended and complete code of regulations relating to the Decennial Settlement was promulgated in 1791. The progress of the settlement was reported to the Court of Directors in 1792. In their reply, dated the 29th September of that year, the Directors expressed their approval of what had been done,

Much time will, I fear, elapse before we can establish a system perfectly consistent in all its parts, and before we can reduce the compound relation of a zemindar to Government, and of a ryot to a zemindar, to the simple principles of landlord and tenant."

¹ Baden-Powell, *Land Systems of British India*.

² It was not till 1793 that the decennial settlement was completed in every district of Bengal, Behar and Orissa.

and gave their consent to what had been proposed. They considered a permanent settlement of the rents "not as a claim to which the landholders had any pretensions, founded on the principles or practice of the native government, but a grace which it would be good policy for the British Government to bestow on them." The total amount of land revenue realised in 1790-91 from the provinces of Bengal, Behar and Orissa was *sicca* Rupees 2,68,00,989, and from the province of Benares *sicca* Rupees 34,53,574.¹

The Directors requested the Government to keep in view the rights of the various classes of inferior landholders, particularly the claims of the actual cultivators to protection. They recommended that an opening should be left in the permanent regulations for the introduction in future of measures which might be found necessary to prevent the tenants being improperly disturbed in their possessions or subjected to unwarrantable exactions.²

On the question of the amount of land revenue, the Directors expressed their satisfaction that it had

¹ The Decennial Settlement had not yet been extended to Benares. The position of a zemindar in Bengal was not, in their view, the same as that of an owner of a landed estate in England.

² The Directors observed that such a step would be clearly consistent with the true practice of the Moghul Government, under which it was a general maxim that the immediate cultivator of the soil, duly paying his rent, should not be dispossessed of the land he occupied"; "and this" (they further observed), "necessarily supposes that there were some limits, by which the rent could be defined, and that it was not left to the arbitrary determination of the zemindar; for otherwise, such a rule would be nugatory, and in point of fact the original amount seems to have been anciently ascertained and fixed by an act of the sovereign." Fifth Report, 1812.

come up to a sum which was likely to prove equal to the needs of the government, and they observed that they did not wish to expose their subjects to the hazard of oppressive practices by insisting on a larger amount. They concluded their letter with the significant observation that, now that the demand for the land was "fixed for ever," the government in India would pursue a strict policy of economy in expenditure. In compliance with the orders of the Directors, Lord Cornwallis issued the following proclamation on the 22nd March, 1793: "The Governor-General in Council declares to the zemindars, independent talukdars, and other actual proprietors of land, with whom or on behalf of whom a settlement has been concluded under the regulations above-mentioned, that at the expiration of the term of the settlement, no alteration will be made in the assessments, which they have respectively engaged to pay, but that they and their heirs and lawful successors will be allowed to hold their estates at such assessment for ever."

Regulation VIII of 1793 re-enacted the amended code of rules promulgated in 1791. This Regulation declared that the several classes of persons with whom the permanent settlement was made, namely, zemindars, talukdars and others, were to be deemed "actual proprietors of the soil." It also provided that *sair* duties and *lakheraj*¹ lands were to be excluded from the assets of the zemindar in fixing the permanent

¹ Revenue-free.

assessment. Regulation XXVII of 1793 declared that it was not the intention of the government to include in the resumption of the *sair* duties ordered in 1790 and 1793 the monthly or annual rents paid as ground-rent or building-rent or as *phalkar*, *jalkar*, or *bankar*. It also provided for payment of compensation to the parties affected by the discontinuance of the privilege of collecting *sair* duties. The zemindars had already been prohibited by the Decennial Settlement Regulation from collecting *abwabs*.¹ But, as has been justly observed, the good intentions of the government as to freeing the raiyats from liability to vexatious cesses levied by zemindars were never carried out to the full extent.

With regard to *lakheraj* lands, Regulation XIX of 1793 declared that it was incumbent on the government to recover public dues alienated in opposition to the ancient and existing laws of the country. It provided two rules for the guidance of courts, namely, first, that all grants made before the 12th August, 1765, were to be regarded as valid; secondly, that exemptions, granted after the 12th August, 1765, and before the 1st December, 1790, and not sanctioned by the Government, were declared invalid. Under another regulation, *thanadari* lands² were declared resumable. In 1795, the settlement of the land revenue was declared perpetual in Benares, and the Bengal regula-

¹ Extra cesses.

² Lands granted for the maintenance of the police.

tions, with some modifications, were extended to that province.¹

During the years immediately following the Permanent Settlement, various inconveniences were felt and grievances complained of. The revenue was not realised with punctuality, and large quantities of land were periodically exposed to sale by auction for the recovery of outstanding balances. In 1796-97, the value of the lands actually sold for non-payment of revenue was over 14 lakhs, and in the following year, it rose to 22 $\frac{3}{4}$ lakhs. Among the defaulters were some of the oldest and most respectable families, such as the Rajas of Nadia, Rajshahi, Bishnupur and Cossijurah. The immediate effect of the Permanent Settlement was thus disastrous to the bulk of the landholders. The principal cause of this was to be found

¹ *Vide* Regulation XIX of 1793; also Regulation XXXVII of 1793.

More distinct traces of the ancient Hindu revenue system existed in Benares than in Bengal. The landholders of Benares, with whom settlement was to be made, appeared to be on a footing somewhat different from the zemindars of Bengal. These landholders were officially designated "for the most part as village zemindars, paying the revenue of their lands to the government jointly with one or more *pattidars* or partners, descended from the same common stock"; "some of these *pattidars* have had their interior *pattis* or shares rendered distinct; whilst those of the major part, still continue annexed to, and blended or in common with, the share or shares of the principal of the family, or of the headmen among the brethren, being either one or more, whose names have been usually inserted in the *pattas*, *kabuliyats*, and engagements for the public revenue. There are others, denominated talukdars, who have depending on them a greater or less number of village zemindars, many of whom retain the right of disposing by sale of their own estates, subject of course to the payment of the usual jama to the talukdars. These talukdars, by the terms of the perpetual settlement, are left to assess their village zemindars either in proportion to their own suddar jamas with some addition for the charges of management or according to the extent or value of the produce as local custom or the good-will of the parties may direct." Fifth Report, 1812.

in the condition introduced into the settlements that the land should be held as security for the amount of revenue assessed upon it.

In spite, however, of the arrears of revenue, the realisations actually exceeded those of former periods. In 1799, the government pointed out to the Court of Directors that, in 1786, their expectation of an assessment had been stated at 2,60,00,000 *sicca* rupees, whereas the average of the annual collections since the conclusion of the settlement had exceeded that amount by more than five lakhs of rupees annually, while there remained a balance of 29 lakhs at the end of April, 1799.

The government had already enacted rules to facilitate the collection of rents by zemindars from the tenants. Regulation XVII of 1793, for instance, had authorised the distraint of crops, cattle, and other personal property of the defaulting tenants, and Regulation XXXI of 1795 had prescribed a summary procedure in cases of default of payment. But these measures were not considered sufficient. Accordingly, Regulation VII of 1799 was passed, which gave the judge the power, after summary enquiry, to commit a defaulting tenant to prison until the arrears were paid.¹ The rules placed the landlords in a position of advantage as against the tenants, but they produced a salutary effect so far as the collection of government

¹ The subsequent modifications of these Regulations in 1805 and 1812 tended to give further advantage to the zemindars as against the tenants.

revenue was concerned. The arrears outstanding at the end of each year greatly diminished, and the total balance was reduced to less than one-half per cent. upon the whole amount of the public assessment. The sale of land for recovery of arrears became less frequent, and the value of land gradually rose. The revenue system was thus ultimately placed on a stable basis in Bengal.¹

As for its effects, the Committee of 1810 observed that the new system had proved "beneficial both to the interests of the sovereign and subject." The revenue had been punctually realised and the amount had increased. They further observed that the collections had been made under the operation of the laws and regulations, and without the necessity of military interference. The Permanent Settlement² had, in their opinion, also led to an increase in wealth and prosperity in the province. This, however, is only one side of the picture. While the Regulations relating to

¹ Ascoli expresses the view that "the confusion which followed the Permanent Settlement was mainly due to the contumacy of the proprietors." The subsequent smooth working of the system and the prompt realisation of the revenue were not, in his opinion, due to the legislative measures of the government, but to the gradual decline of the agitation against the sale law. Ascoli, *Early Revenue History of Bengal*, p. 77.

² Ascoli classifies the immediate objects of the Permanent Settlement as follows: First, to place the revenue-paying agency on a definite footing, and to expedite and assure the payment of the revenue; second, to ensure a minimum revenue; third, to free the hands of officials for other spheres of administration; and fourth, to promote the extension of cultivation. He expresses the view that these objects were only partially realised, and concludes his observations with these words: "The freedom gained by Government was merely temporary; the destruction of the proprietary classes was a permanent bequest to posterity; while the position of the cultivator has remained to this day one of the most difficult and insoluble of administrative problems." *Early Revenue History of Bengal*, p. 81.

the Permanent Settlement fully assured the immediate revenue position of the government, they proved a permanent obstacle to the growth of its resources. The zemindars derived great benefit from the measure, but it did not furnish any security to the tenants. It is true that the zemindars were bound under the regulations to grant *pattas* to their tenants. But as it was declared competent to zemindars to enter into any engagements they liked with the tenants, the *pattas* did not provide any real safeguard against ejection or enhancement of rent. The Regulations which were enacted in 1793, 1795, 1799 and 1812 operated as a great hardship on the tenants. Another evil arose from the practice of sub-letting the lands. Various under-farms were created, such as *patni*, *dar-patni*, etc. This, as Baden Powell observes, "stimulated the further raising of rents." In fact, the net effect of the law and practice of the Permanent Settlement was not only to depress the condition of the peasants, but to place them almost entirely at the mercy of the zemindars. And it is a pity that no steps were taken to improve their condition during the whole period of the Company's rule.

So much for the Permanent Settlement. We next consider those parts of the provinces which were not permanently settled. Certain districts, *e.g.*, Chittagong, were exempted from the operation of the Permanent Settlement Regulations for special reasons. Some territories in Bengal, *e.g.*, the districts of Cuttack,

Balasore, and Puri, came into British possession at a date subsequent to 1793. In 1804, a proclamation was issued in these districts, which notified that the settlement would be made with the zemindars, in all practicable cases, in the first instance for one year, then for a period of three years, and next for a period of four years, at the end of which a permanent settlement would be concluded with the same persons, provided they had the best claim and were willing to engage for such lands as should be in a sufficiently improved state of cultivation, on such terms as the government should deem fair.¹ In 1812, it was notified that the Court of Directors had not deemed it expedient to make a permanent settlement at that time. It was, however, declared that, at the expiration of the Fasli year 1222, a permanent settlement would be concluded with the proprietors of such estates as should be in a sufficiently improved state of cultivation to warrant that measure. In 1813, a settlement was made for a year, and yearly settlements were continued for the next two years. In 1816, it was declared that the information which had up to that time been required by the government was too imperfect to afford grounds for the proper adjustment of an assessment which should remain fixed in perpetuity.² The temporary settlements were continued till 1822, in which year a fresh

¹ The substance of the proclamation was embodied in Regulation XII. of 1805. The promise of a permanent settlement was reiterated in a Regulation of 1807.

² Regulation VI of 1816.

settlement on new principles was made. This system was the village or *mauzawari* system. The settlement was made for five years, and was extended to another period of five years. The system was made more perfect by Regulation IX of 1833, when the then existing settlement was again continued for five years. The first regular settlement, with a survey and record of rights, was made during the years 1838 to 1845. In 1856, the settlements were revised.¹

Let us now consider the land revenue system of the Upper Provinces of Bengal. In 1801, the East India Company obtained by treaty with the Nawab Vizier of Oudh, in commutation of the subsidy, perpetual possession of the territories known as the Ceded Districts, yielding an annual gross revenue of 1,35,23,474 Lucknow *sicca* rupees (or about £1,600,000). In 1803, settlements were made for three years with the landholders in all instances where it was found practicable. In other cases, the lands were let in farm, and in a few instances the collections were left to be made from cultivators by the officers of the government. These arrangements proceeded in some instances on *rassad* or annual augmentation, founded on an expectation of increased cultivation. The increase thus obtained for the third year of the settlement over the estimate of the gross revenue at the time of the cession to the Company amounted to 82,99,589 Lucknow *sicca* rupees, or an addition of

¹ Baden-Powell, *Land Revenue Systems of India*.

more than 19 per cent. to the rent-roll of the Vizier.

When the first triennial settlement was made, it was announced that, at the expiration of this term, a settlement for another three years would be made, which would be continued for a further period of four years "with the same person, if willing to engage at a fixed equal annual jama, formed by adding to the annual rent of the second three years, three-fourths of the net increase of the revenue during any one year of the period." It was further notified that, at the end of this period of four years, a permanent settlement would be concluded with the same persons (if they should be willing to engage, and if no others with a better claim should come forward), for such lands as might be in a sufficiently improved state of cultivation to warrant the measure, and on such terms as the government should deem fair and equitable.

The government also expressed a desire to extend the same policy to the territories recently acquired from the Mahratta chiefs and others. In 1807, the government considered it desirable to entrust the work of further settlement to a special commission consisting of a member of the Board of Revenue and another experienced civil servant, with a secretary and a staff of assistants. The commission immediately proceeded to call for the opinion of the Collectors on the question of the period of an ultimate settlement. They submitted their final report in 1808, in

which they expressed their view to be adverse "to the immediate conclusion of a permanent settlement" in the Ceded and Conquered Territories.¹

In the meantime, a change had occurred in the attitude of the Court of Directors towards this question. They stated in reply to the Governor-General's letter that it was not their intention to proceed immediately to the introduction of a permanent settlement in the Ceded and Conquered Provinces, "because it would be premature to fix in perpetuity the land rents of those countries, at so early a stage of their connexion with them, when their knowledge of the revenue actually derived from them by the zemindars and of their capability must necessarily be imperfect, and when the people are yet so little habituated to their government." They further observed that the mistakes committed in the settlement made in Bengal, and the inconveniences which had resulted from them, suggested the danger of precipitancy and emphasised the need for caution and deliberation in proceeding to a measure which was to be irrevocable.² On receiving the report of the commissioners the Directors adopted a still more decided tone. In the Revenue Despatch of the 27th November, 1811, they observed: "The

¹ This commission became in 1809 the Board of Revenue for the Upper Provinces.

As they were probably apprised of the determination of the government to carry through the scheme of permanent settlement, the commissioners resigned their offices, rather than be the instruments of measures which their judgment could not approve.

² Fifth Report, 1812.

proposed final settlement of the revenues of these territories would be premature, supposing the arrangement otherwise to be completely unexceptionable : that it would be attended ultimately with a large sacrifice of revenue ; that they were by no means sufficiently acquainted, either with the resources of the country or with the rights and ancient customs of the different classes of landholders, to venture upon a step of so much importance, and in its nature irrevocable ; and that whether the measure may be eligible at a future period, and what modifications it may be prudent to apply to it, are questions which will remain open for discussion.”¹ On the receipt of these instructions, the Government of Bengal notified that the Court of Directors had not deemed it advisable to sanction a permanent settlement, but they expressed their intention to fix the revenue of such lands in perpetuity as might be in a sufficiently improved state of cultivation to warrant that measure. The Board of Commissioners were asked to ascertain what estates were in such condition. Meanwhile, the settlements were made for five years ; and on the expiry of the period, they were continued for a further term of five years.

Holt Mackenzie submitted a remarkable Minute in 1819. In it he reviewed the condition of the different districts of the province, and urged that the villages be surveyed and a record of rights prepared. In

¹ Regulation X. of 1812.

1822, an important Regulation was passed with the object of laying down the principles on which the demand of the State was thenceforward to be regulated and the manner in which the future settlements were to be made. It declared that the efforts of the revenue officers should be directed chiefly, not to any general enhancement of the assessment, but to the equalisation of the public burdens, and the ascertaining, settling, and recording the rights, interests, privileges and properties of all persons and classes owning, occupying, managing or cultivating the land, or gathering or disposing of its produce, or collecting or appropriating the rent or revenues payable on account of lands or the produce of lands, or paying or receiving any cesses, contributions or perquisites to or from any persons resident in, or owning, occupying or holding parcel of any village or mahal.¹

In a few cases, the settlements were made with the zemindars or talukdars. In some other cases, they were made with the heads of the 'inferior proprietary' body.² But in a still larger number of cases, they were concluded with the village communities as the sole proprietors, the 'lambardar' being the representative of the body.² The Regulation declared that the settlements would be in force for five years, and after that engagements would be entered into for such periods as the Government might determine, but

¹ Regulation VII of 1822.

² Baden-Powell, *Land Systems of British India*, bk. iii., ch. i.

that no increase of revenue would take place unless it should clearly appear that the net profits to be derived from the land by the zemindars would exceed one-fifth of the previous assessment ; and that in the event of such increase being made, the assessment was to be so regulated as to leave to the zemindars a net profit of 20 per cent. on the *jama*.¹

By Regulation IX of 1824 the provisions of Regulation VII of 1822 were extended to the Conquered Provinces. The period of settlement was subsequently extended for another term of five years in both the Conquered and Ceded Provinces. By Regulation IX of 1833 the estimates of produce and its value were simplified, and a system of average rent and revenue rates, actual or assumed, for different classes of soil, was introduced.² It was also declared that the rents of tenants were to be fixed after the revenue had been determined. The first "regular" settlements under Regulations VII of 1822 and IX of 1833 were made between 1833 and 1849, for a term of thirty years, except in a few districts where, for special reasons, the settlements were made for shorter periods. Two-thirds of the "gross rental" was adopted as the standard of assessment in cases in which the land was held by tenants paying a money rent. When the tenants paid in kind, or where there

¹ Regulation VII. of 1822.

² It was in 1833 that the Ceded and Conquered Provinces were separated from Bengal and constituted the North-Western Provinces.

were large numbers of proprietors cultivating their own holdings, the standard was two-thirds of the "net assets." The system of settlement was *mauzawar*, or by villages.¹

In 1851, in a review of the settlements of the North-Western Provinces recently concluded, the Directors expressed their satisfaction at the results which had been achieved. They further observed that, making allowance for the large amount of nominal balances, the revenue had progressively increased, and that this increase had been "realised without undue pressure on the people, as had been proved by the progressive and great diminution of all forms of proceeding for enforcing the payment of arrears."²

No changes of any importance were made in the system till 1855. In that year, certain modifications were introduced, and these were embodied in the Saharanpur Rules. By these rules, the Government's share of the rental or the assets was reduced from two-thirds to one-half.

We now pass on to the Madras Presidency. When the four Circars were acquired by the Company in the Madras Presidency, their servants were imperfectly acquainted with the usages of the people. It was, therefore, decided to entrust the local management

¹ Baden-Powell, *Land Systems of British India*, bk. iii., ch. i. Baden-Powell prefers to call the system "mahal-war," because the village was not always the unit of assessment.

² Despatch dated the 13th August, 1851. The Directors highly commended the zeal, industry, and ability shown by the officers, particularly R. M. Bird, who carried out the settlements.

of three of the Circars, under a lease for three years, to experienced Indian administrators. The system was discontinued in 1769, and the Circars were placed under the charge of provincial chiefs and councils, on whom devolved the whole civil, political, and revenue administration of the country.

The territories acquired in the earlier years by the Company in this province, and known as "the ancient possessions," were of two sorts, namely, *zemindari* lands and *haveli* lands. In the *zemindari* lands, the old practice was continued of allowing the zemindars to appropriate the revenues of the districts to their own use, in consideration of paying a certain sum to the government, which was denominated the *jama*. The zemindars realised their resources either direct from the actual cultivators, or by farming them to persons on annual or longer leases. The *havelis* consisted of the demesne or household lands of the government. These constituted a large part of the Northern Circars. They were portions of the territory which were not in the hands of zemindars, but in those of the government, and in which it was optional to adopt any system of revenue management that might be found suitable. The original mode in which the land revenue of the *havelis* was collected by the Company was by letting the entire Circars or portions of them to individuals. These were either *dubashes*¹ or *saucars*² who made

¹ Agents.

² Money-lenders.

that kind of farming their profession. The farmers oppressed the people in many ways and burdened them with various taxes. In fact, the evils which existed in the zemindari territories appeared here in a far more exaggerated form.

In 1775, the Court of Directors sent definite instructions to the Governor and Council of Madras, when they urged that a Committee of the Council should be appointed to make a circuit of the Northern Circars and gather information regarding the revenue and the general condition of the territories. They made it clear that it was not their intention to deprive the hereditary Rajas or zemindars of their annual income, but they expressed their desire to deliver the inhabitants from undue exaction and oppression. This Committee was appointed in 1776, but it did not accomplish much. It was suspended in 1778, and soon afterwards abolished.¹

Till the year 1778, the settlements concluded with the zemindars were annual. In that year, Sir Thomas Rumbold formed a settlement for five years with the zemindars of Masulipatam on the basis of rents of $12\frac{1}{2}$ per cent., in addition to the previous *jama*. The payment of this addition, however, was not enforced. From 1783 to 1786, annual settlements were made on the terms of the expired leases. It was found that irregularities had prevailed both in the payments and

¹ Second Report from the Committee of Secrecy, 1781. The Committee of the Council was, however, revived in 1783 and retained till 1788.

in the accounts. No proper distinction had been preserved between the current revenue and the balances. The management of revenue was at this time conducted by the President and Council, without the aid of a subordinate establishment. A Board of Revenue was established in 1786. In this Board was vested, subject to the control of the government, the superintendence, collection, and administration of the revenues. Immediately after its establishment, the Board directed its attention to the irregularities. In the same year, a settlement was concluded on a *jama* increased by $12\frac{1}{2}$ per cent. It was also during this year that the Court of Directors, in furnishing the Madras Government with a copy of the instructions sent to the Governor-General in Council of Bengal, observed that it was their wish to form a permanent arrangement of the revenue in the Madras Presidency upon principles similar to those adopted for Bengal, but that they did not feel themselves competent to decide, from the materials before them, how far the regulations prescribed for that Presidency might apply to Madras. They, therefore, requested the Madras Government to forward their opinion to England, together with all such papers as might help in elucidating the subject.¹

The next settlement was concluded for three, and eventually for five, years commencing from September 1789. The zemindars, with a few exceptions, were

¹ Fifth Report, 1812.

assessed at two-thirds of the gross collections from their respective estates according to the estimate of the Committee of Circuit. The realisation of revenue under this settlement was greatly affected by famines in 1791 and 1792, which rendered considerable remissions necessary.

Several experimental settlements were made in Guntoor, the Northern and Southern divisions of Chicacole, the Northern Circars, Vizagapatam, and Ganjam. When Collectors were appointed in 1878, they recommended the mode of letting out the villages as units. On account of various difficulties, however, this method was not adopted until a later date. The general plan adopted by them in the *havelis* was to make the settlements with the chief inhabitants for the whole of their respective villages, who sublet every field and arranged with each cultivator for the rent he was to pay. Very often, it was left to the community of the village to settle among themselves the amounts of their respective rents, the inhabitants becoming jointly and severally responsible for the aggregate demand upon the village. These village settlements were based on the produce. The settlements were, however, of a very imperfect kind, for no survey of the lands was made, and the payments made by the cultivators to the renters were not defined; nor were any *pattas* granted to the cultivators.

There was, during this period, no fixed principle of

revenue management, the mode varying according to accidental circumstances. Sometimes, the settlements were carried out agreeably to the sentiments of the existing government or Board of Revenue; at other times they were conducted in accordance with the desire or whims of the local authorities. Remissions of rent were constantly demanded, from some cause or other; and if these were not granted, the arrears were added to the future *jama*.

A word may be said here about the *jaigir* lands which were obtained from the Nawab of Arcot. They were for some years rented on renewed leases to the Nawab himself. But in 1780, the management was assumed by the Company. From 1783 to 1789, leases were granted to farmers who were men of low origin, and who oppressed the cultivators in a variety of ways. The amount of revenue realised was small. Some improvements were introduced by Place, then Collector of the district, in 1796. He adopted the system of village settlements. The revenue derived from the *jaigir* between the years 1796 and 1799 was far greater than had ever before been received from it.¹

We shall now deal with the land revenue system which was established in the more modern territories of the Company in Madras, namely, those acquired after 1792. In some of these territories, the lands were, at first, farmed out. But soon afterwards, engagements were entered into for the realisation of the

¹ Fifth Report, 1812.

revenue of each village with its principal inhabitants. This system, however, was found to abound with abuses. Great deceptions and fraud were practised by the village renters, in conjunction with the Kurnums,¹ in order to conceal the value of the lands. Serious injuries were inflicted on the cultivators, and the interests of the bulk of the people were sacrificed to the injustice and extortionate demands of a few individuals. In some instances, therefore, the experiment was tried of doing away with the agency of the renters intermediate between the government and the cultivators of a village.

It was Alexander Read who first introduced the *raiyyatwari* settlement into the Baramahal districts. This system was adopted by Lt.-Col. (afterwards Sir Thomas) Munro, in whose hands it proved a great success. It was then introduced by order of the government into the other districts. The chief advantage of this system was that the raiyat knew before he began to till his land what was the utmost limit of rent he would be called upon to pay. He also felt sure that the advantage of additional labour employed upon his fields would be all his own, and that, while the benefit of additional produce in an abundant season would accrue to him, he would be able to ask for an abatement of the revenue demand in an unfavourable season. It was observed that the *raiyyatwari* principle of settlement improved the condition of

¹ Village accountants.

the cultivator, by limiting the bounds of the public assessment, adjusting the actual demand on each person according to his ability to satisfy it, relieving him from the oppressive exactions of the revenue officers, and securing him in the protection of his property and rights. This also created a confidence among the raiyats in the sense of equity and justice of the Company's government.¹

In the years 1807 and 1808, however, the Government of Madras decided to abandon the principle and to revert to the system of village leases which had formerly been in vogue. The reasons which led to this alteration of system were stated by the government to be its comparative economy, its freedom from the trouble and inconvenience which the *raiayatwari* system involved, and a desire on the part of the authorities to prepare the way for a permanent assessment of the lands.²

As has already been stated, the adoption of a permanent system of revenue settlement in Madras had, since 1886, been in the contemplation of the Court of Directors. But the fulfilment of their desire was delayed by the slow progress made by the local authorities in acquiring sufficient knowledge of the condition of the province. In 1795, and again in 1798, the Directors expressed their wish to see the Bengal system of revenue settlements introduced into the Madras Presidency. There was, however, one diffi-

¹ Fifth Report, 1812.

² *Ibid.*

culty. In Bengal, nearly all the lands were in the hands of zemindars. But a very large portion of the territories subject to the Madras Presidency was in the possession neither of zemindars nor of poligars, but was under the immediate management of the Company's servants. It, therefore, became a question in what mode and under what form an assessment in perpetuity should be carried into effect. The Board of Revenue recommended that lands should be formed into estates, consisting of *mootas* or divisions, yielding a revenue from about 1,000 pagodas to 10,000 pagodas per annum, so as to constitute zemindaries of a convenient size, which should later be granted to individuals in proprietary right, or sold to them by public auction. Several despatches were exchanged between the authorities in India and in England. In 1801, the Court of Directors gave their sanction to the proposal of the Governor-General for a permanent settlement of the territories comprised in the Madras Presidency on the lines of the Bengal system. A special commission was appointed by the Government of Madras to carry into effect the details.

The Permanent Settlement was carried out in the various districts in the following years : The Jaigir, 1801-2 ; Northern Circars, between 1802-3 and 1804-5 ; Salem, Western Pollams, Chittoor Pollams, and Southern Pollams, 1802-3 ; Ramnad, Krishnaghery, and Dindigul, 1803-4 and 1804-5 ; Trevandapuram and Jaigir villages, 1806-7. The following districts were

not permanently settled; Malabar, Canara, Coimbatore, Ceded Districts, Balaghat, Tanjore, Palnad, Nellore and Ongole, Arcot, Sativaid, Trichinopoly, Madura, and Tinnevely. The new system of settlements in perpetuity was thus established in only a small proportion of the Company's territories in the Madras Presidency.

On the merits or demerits of the Permanent Settlement in Madras, the Select Committee of 1812 hesitated to express an opinion on the ground of insufficiency of the experience so far acquired. In regard to the realisation of revenue, the Committee observed that the effects were favourable in most districts, particularly in the Northern Circars.¹ But in some other parts, the system did not operate satisfactorily. In Dindigul, it failed for three years successively. This, however, was due to the fact that the rents in these parts had been fixed on too high a scale. This matter had already engaged the attention of the Court of Directors, who had observed in 1811: "The effect of immoderate exaction is not merely to disable the contributor from paying the amount of the surcharge, but by discouraging his industry, and impairing his production capital, it incapacitates him from discharging what might have been at first a moderate demand. But the most serious injury likely to result

¹ It was observed in the Fifth Report, 1812:

"As far as relates to the realisation of the public revenue, those effects have been favourably manifested, inasmuch as it has been collected with much greater steadiness and regularity than was before experienced."

from errors of this description to which we are now alluding, comes from their tendency to render our government unpopular by loading the subject with exorbitant imposts ; to alienate the landholders from a system dictated by the most beneficent intentions ; and which, when wisely introduced, experience has shown to be in many respects well adapted for the purposes for which it was formed ; it tends also to shake the confidence of the inhabitants in the prudence of our councils, the stability of our measures and the consistency of our administration.”¹

Gradually, the opinion of the Directors turned definitely against the system of permanent settlements. In 1812, the Directors sent out orders for the adoption of the *raiayatwari* system. But these could not be carried out at once, as many leases were still subsisting. However sound might be the main principles of the *raiayatwari* system, its original form had many defects. Its practical operation depended largely upon the certainty and moderation of the government demand. For many years, both these conditions were very insufficiently realised. Many of the assessments were too high, while some were unnecessarily low. The money rents which were substituted for rents in kind became in most cases burdensome exactions. These circumstances were allowed for, and reductions made, but not sufficiently early, nor to a sufficient amount. And as long as the government claim was too heavy,

¹ Fifth Report, 1812.

it was also uncertain, owing to the necessity of an annual inquiry to test the justice of claims to remission.¹ Thus the original *raiayatwari* system did not operate beneficially on the prosperity of the people.

Large modifications in the system were, therefore, called for. But the government moved very slowly. Improvements in detail took place from time to time. It was not, however, until 1837 that any real reform was attempted. In that year, several measures were taken, of which two were very important. In the first place, it was adopted as a universal rule that no land should be more heavily taxed in consequence of its being applied to the cultivation of a more valuable description of crops. The second great improvement was the establishment of the rule that no raiyat should be required to pay an additional tax for his land in consideration of increased value derived from improvements made by himself. Substantial reductions of the assessment were also made in the heavily-taxed districts, which produced so great an extension of cultivation that the revenue scarcely suffered.²

A general revision, however, did not take place until 1855. In that year, the Governor of Madras submitted to the Governor-General in Council a plan for a survey and revised assessment of the whole of the Madras territory on the principle which had been

¹ *Memorandum on the Improvements in the Administration of India*, 1858.

² *Ibid.*

adopted in Bombay. This was approved by the Government of India, and sanctioned by the Court of Directors in 1856 with some modifications.

The bulk of the territories in the Bombay Presidency came under British rule in 1818. For some years, no definite plan of revenue management was adopted. In some parts of the Presidency, arrangements were made with the headmen and other persons of influence in the districts who leased or farmed certain tracts. In others, the old Mahratta village assessments were followed. This sort of management proved an utter failure. After 1822, the Government of Bombay began seriously to consider the merits and defects of the different land revenue systems which had come into operation in the other provinces. They ultimately decided in favour of a revenue arrangement with individual cultivators. But the adoption of the unreformed *raiayatwari* system of settlement did not succeed. The assessments were so excessive that heavy arrears of revenue accumulated. The situation is correctly depicted in an authoritative publication in these words: "Every effort, lawful and unlawful, was made to get the utmost out of the wretched peasantry, who were subjected to torture, in some instances cruel and revolting beyond description, if they would not or could not yield what was demanded. Numbers abandoned their houses, and fled into the neighbouring Native States. Large tracts of land were thrown

out of cultivation, and in some districts no more than a third of the cultivable area remained in occupation.”¹

In 1835, a revision of the settlement of the Indapur Taluka was taken in hand, and the knowledge gained there was applied to other parts of the country. Gradually, improvements took place with the extension of experience. The main features of the system which was evolved in the course of time were as follows: Where any ancient proprietors, either middlemen or village communities, were found in existence at the time of the survey, their rights were respected. But, in general, the settlement was made with the raiyats. The land, cultivated and waste together, was divided into portions called fields. On each field, the revenue was fixed for a period of thirty years. If, however, the raiyat found cultivation unremunerative, he was entitled to throw up the land.

The two essential parts of the reform were the moderation of the government demand and the fixation of the revenue for a fairly long period. The effects of these reforms were beneficial to the cultivators. Nor was it less satisfactory from the standpoint of the government. Although, in the beginning, the system involved some sacrifice of revenue, yet the occupation of waste land gradually made up to the government for the loss, and in the course of a few

¹ Administration Report for 1872-73, quoted in Baden-Powell, *Land Systems of British India*.

years the revenue under the new assessment exceeded that under the old.¹

The Punjab came under British rule in 1849. The *mauzawari* or *mahalwari* system of the North-Western Provinces was at once introduced into the newly-acquired territories. The leases were usually shorter than in the North-Western Provinces. But the government claimed that the assessment was lower than that of the preceding administration by over 72½ lakhs. They also expressed the view that their demands did not exceed one-fifth of the gross value of the produce in rich tracts, and one-sixth, or one-eighth, or even less, in poor tracts.

In a Memorandum published by the government in 1858, the view was expressed that "any amount whatever of revenue derived from the rent of land, cannot be regarded, generally speaking, as a burden on the tax-paying community." But few will subscribe to this view. It is needless in this connexion to enter upon a discussion of the question whether land revenue is rent or tax. The principle was accepted by the Company towards the close of its administration that it was essential that the "demand of revenue should be within the limits of a fair rent."

The total land revenue of India in 1785-86, the first year for which fairly reliable figures are available, was assessed at about 3 crores and 94 lakhs. The largest share of the burden, of course, fell upon Bengal, and

¹ *Memorandum on the Improvements in the Administration of India*, 1858.

the amount was considerably more than the people of the province were able to pay. The progress of land revenue in the different provinces will be gathered from the following figures:—1792-93: Bengal, £3,091,616; Madras, £742,760; Bombay, £79,025; total, £3,913,401; 1800-01: Bengal, £3,218,766; Madras, £957,799; Bombay, £45,130; total, £4,221,695; 1810-11: Bengal, £3,295,382; Madras, £1,071,666; Bombay, £437,108; total, £4,804,156; 1820-21: Bengal, £8,139,415; Madras, £3,738,460; Bombay, £1,818,314; total, £13,696,189; 1830-31: Bengal, £8,228,161; Madras, £3,460,329; Bombay, £1,650,061; total, £13,338,551; 1840-41: Bengal, £3,464,865; N.-W. Provinces,¹ £3,781,344; Madras, £3,729,085; Bombay, £1,788,546; total, £12,763,840; 1850-51: Bengal, £3,569,408; N.-W. Provinces, £4,990,102; Madras, £3,515,969; Bombay, £2,286,074; Punjab, £1,020,889; total, £15,382,442. In 1857-58, the total land revenue of India amounted to £15,722,337. The shares of it derived from the various provinces and administrations stood thus: Bengal, £3,694,017; N.-W. Provinces, £2,639,238²; Madras, £3,678,862; Bombay, £2,318,241; Punjab, £1,785,227; Sind, £364,262; Sattara, £249,947; Nagpur, £277,050; Pegu and Martaban, £263,221; Tenasserim, £30,120; Oudh, £3,147; Coorg, £13,324; Baireseah, £5,681.³

¹ Till 1833-34, the land revenue of the N.-W. Provinces was shown as part of the land revenue of Bengal.

² The shortage was due to the Sepoy Mutiny.

³ A small amount was derived from the Eastern Settlements, but it is difficult to show it separately from other sources of revenue.

Thus, in the year 1857-58, the income derived by the government from this source was nearly four times as large as that in 1792-93. The increase was due chiefly to the acquisition of new territories, but also partly to the extension of cultivation and the enhancement of assessed values. It is a remarkable fact that nearly two-thirds of the State income in India was obtained from the land towards the close of the Company's rule.

CHAPTER V

FINANCIAL RESOURCES—*Continued*

OTHER HEADS OF REVENUE

SALT was, next to land revenue, the most important source of State income in India during the greater part of the Company's rule. In pre-British days, salt was taxed at a low rate in common with a large number of other commodities.¹ The early history of the salt tax was a somewhat curious one. On the accession of Mir Kasim in 1760 to the Nawabship of Bengal, the claim of the Company's servants to trade in salt, duty free, was first avowed. An agreement was made with the Nawab by Vansittart by which the duties were to be fixed at 9 per cent. The Council, however, reduced the duty to $2\frac{1}{2}$ per cent. On this, Mir Kasim ordered that no customs or duties whatsoever should be collected for the future. In 1764, the Directors ordered a final and effectual stop to be put to the trade in salt. A few months later, however, the Directors ordered the Governor and Council to form a new plan for regulating the inland trade in the article.²

¹ The Committee of Secrecy of 1772 reported that the duty on salt under the government of the Nawabs had been $2\frac{1}{2}$ per cent. paid by Mussulmans and 5 per cent. by Hindus.

² Ninth Report of the Select Committee, 1783.

Clive established in 1765 an 'exclusive society,' for the benefit of the covenanted servants of the Company, for trading in salt, betel-nut, and tobacco. But the Court of Directors disapproved of the arrangement. The society, however, did not cease its activities till 1768. In 1767, the Directors repeated their orders for excluding all persons whatever, excepting Indians, from being concerned in the inland trade in salt. At the same time, they instructed that a duty on salt should be collected so as to produce a sum not less than £100,000 and not more than £120,000. The Governor and Council made new regulations for the salt trade, and fixed a duty of 30 sicca rupees per 100 maunds. This system, however, proved very unfavourable to government revenue, which declined from £118,296 in 1766-67 to £45,027 in 1772-73. Warren Hastings then resolved to assume the management of the manufacture of salt as a monopoly. It was decided that all salt should be made for the Company, and that the salt manufactories should be let in farm for five years. This farming system was found a complicated one in practice, and resulted in a loss of revenue. In 1777, on the proposal of Hastings, it was resolved to let the salt *mahals* to the zemindars and farmers for a ready money rent including duties, the salt being left at their disposal. After a short trial of this method, Hastings abandoned it.¹

In 1780, Hastings changed his plan a third time, and

¹ Ninth Report of the Select Committee, 1783.

instituted a salt office. The trade in the article was again engrossed for the benefit of the Company, and the management conducted by a number of salt agents. Under this scheme, the salt-producing tracts were divided into separate agencies. The *malangis* or salt-makers received advances from the agents on condition that the whole of their produce should be sold to the government at prices agreed upon. The agents then disposed of their salt to wholesale dealers at prices fixed from year to year by the government.

This assumption of strict monopoly was strenuously opposed in the Governor-General's Council. But it proved completely successful from the financial standpoint. During the first three years of the introduction of the system, the salt revenue averaged £464,060. Commenting on the inconsistent policy of the Company, the Select Committee of 1783 observed: "Salt, considering it as a necessary of life, was by no means a safe and proper subject for so many experiments and innovations." They added: "The many changes of plan which have taken place in the management of salt trade are far from honourable to the Company's government, and that even if the monopoly of this article were a profitable concern it should not be permitted. Exclusive of the general effect of this and of all monopolies, the oppressions which the manufacturers of salt, called *malangis*, still suffer under it, though perhaps alleviated in some particulars, deserve particular attention. There is evidence enough on the

Company's records to satisfy your Committee that those people have been treated with great rigour, and not only defrauded of the due payment of their labour, but delivered over like cattle in succession to different masters, who under pretence of buying up the balances due to their preceding employers, find means of keeping them in perpetual slavery. For evils of this nature there can be no perfect remedy as long as the monopoly continues."

The revenue from salt grew steadily during the next quarter of a century. The importation of foreign salt began in 1817 in Bengal, when an import duty of Rs. 3 4 as. a maund was imposed. Imported salt, however, did not assume substantial proportions till 1835. In 1836, auction sales were discontinued, and the system of fixed prices and open warehouses established. During the seven years commencing with 1837-38, the duty on salt was Rs. 3 4 as. per maund. The average annual quantity of salt sold and imported during that period was 4,627,030 maunds. In November, 1844, the duty was reduced to Rs. 3 per maund, and there was a slight increase in sales. In April, 1847, the duty was further reduced to Rs. 2 12 as. per maund, which was accompanied by a slight increase in sales. In 1849, the duty was subjected to a further reduction to Rs. 2 8 as. per maund, at which figure it stood till the close of the Company's administration. The high cost of producing Bengal salt enabled English salt to obtain a footing in the Calcutta market. And the

maintenance of this footing was made easy by the nominal freights which English salt paid, it being carried as ballast.

The net receipts from salt in the Bengal Presidency in the decennial years were as follows: 1800-01, £777,063; 1810-11, £1,310,271; 1820-21, £1,336,972; 1830-31, £1,814,186; 1840-41, £1,479,677; 1850-51, £770,998. In 1856-57, these amounted to £1,023,164.¹

In the Madras Presidency, until the year 1805, the manufacture of salt was either farmed out or managed by the officers of the government, but upon what system the records do not clearly show. During the five years preceding 1805, the net revenue amounted to Rs. 2,80,000 (£28,000). In 1804, the gross receipts amounted to Rs. 2,21,607, and the charges of establishment were Rs. 11,467. The system established in 1805 was one of strict monopoly, both in regard to the manufacture of, and the wholesale trade in, salt. The sale price of salt was, in the first instance, fixed at Rs. 70 per garce (of 120 maunds), including duty and all cost of manufacture. In 1809, the price was raised to Rs. 105 per garce; but the revenue not having increased in the expected proportion, the price was reduced to the original rate. In 1828, the price was again raised to Rs. 105, at which rate it remained until 1844, when it was raised to Re. 1 8 as. per maund (or Rs. 180 per garce) as some compensation

¹ These figures include the revenue derived from the North-Western provinces in the second, third, and fourth of these decennial years.

for the loss incurred by the abolition of the transit duties. The Court of Directors, however, considered the increase "too large and too sudden," and directed the reduction of the rate to Re. 1 per maund or Rs. 120 per garce. This rate remained unaltered during the remainder of the Company's administration. In 1853, the duty on the importation of foreign salt into the Madras territories was reduced from Rs. 3 to 12 annas a maund. But in 1855, it was raised to 14 annas, in order to place the imported salt on the same footing as the home-made salt.

The net revenue derived from this source in the Presidency of Madras was: 1820-21, £236,945; 1830-31, £367,826; 1840-41, £302,181; 1850-51, £409,522. In 1857-58, the net salt receipts amounted to £572,597.

In the Bombay Presidency, the salt revenue, originally, was only one of many miscellaneous items of State income. There was no monopoly in the article, and the duties were of a trifling nature. In 1837, an excise duty of 8 annas per maund was imposed in commutation of the transit duties, while early in the following year, a customs duty of the same amount was levied on all salt imported from any foreign territory. The receipts from salt, however, fell short of the revenue formerly derived from inland duties by about two and a half lakhs of rupees. Therefore, in 1844, it was considered necessary to raise the excise and import duty to Re. 1 per maund. The Court of Directors, however, thought that the increase was

more than what was necessary ; and, in accordance with their instructions, the rate was reduced to 12 annas a maund. The net increase of income realised from the increased excise, on an average of eight years from 1845-46 to 1853-54, was Rs. 7,31,720.

The revenue derived from salt in the Bombay Presidency was £145,822 in 1840-41 and £217,972 in 1850-51. In 1857-58, it amounted to £273,689.

The North-Western Province obtained its supply of salt partly from Bengal and partly from the Sambhar Lake in Rajputana and other areas on the west. The rates of duty payable towards the close of the Company's administration were as follows : Bengal salt, having paid the excise or import duty, passed free into the North-Western Provinces ; Sambhar and other salt, on crossing the north-western frontier line, was subjected to a duty of Rs. 2 per maund, and to a further duty of 8 annas per maund on transmission eastward of Allahabad. The revenue derived from this source was £635,411 in 1856-57.¹

The excise duty on salt at the Punjab Salt Mines was fixed at Rs. 2 per maund after the annexation of the province. The salt revenue of the Punjab amounted to £192,131 in 1857-58.

The method of salt manufacture differed in the different parts of the country. In Bengal, salt was obtained by boiling sea-water. In Bombay and Madras, the process was that of solar evaporation.

¹ It decreased to £66,218 in 1857-58.

In the Punjab, it was extracted in a pure state from the salt mines. An additional source of supply for the province was the Sambhar salt lake in Rajputana. The lake overflowed during the rains, and when the water subsided, a deep incrustation of salt was deposited on its shores for several miles around.¹

On the propriety or desirability of continuing the salt monopoly, considerable divergence of opinion prevailed. As early as 1776, Philip Francis expressed the view that salt should be "as free and unburthened as possible." In later times, the controversy became a keen one. On the one hand, it was asserted that the government ought not to undertake any business transaction, that every monopoly was bad in principle, and that the salt tax of India had all the defects of a monopoly. On the other, it was maintained that the monopoly in salt was an easy and cheap method of obtaining revenue, that it was very productive, and that it gave employment to a large number of labourers.

The question gave rise, on several occasions, to acute and even bitter controversies in the press, and some of the defenders of the monopoly even charged the detractors of the system with a desire to supplant the domestic manufactures of Bombay and Madras by importations of salt from Liverpool.² As a matter

¹ Report of the Select Committee, 1832-33, Appendix No. 14.

² Appendix C to the Minutes of Evidence, Lords' Committee, 1852-53.

"It would be adding insult to injury," wrote an Indian publicist, "to expect them (the people of India) quietly, or at least unmurmuringly, to

of fact, it was regarded as a source of State revenue and not as a trading monopoly ; and it was considered difficult to abolish it until more suitable means were found by which the same amount of revenue could be raised. The Select Committee, which was appointed in 1836, observed in their Report : “ The evils usually incident to a government monopoly in a great article of consumption are not wanting in the salt monopoly in India ; and they are not convinced that the same amount of revenue which has been hitherto derived from the monopoly might not be collected with equal security to the revenue and great advantage to the consumer and commerce under a combined system of customs and excise.” They were, however, unwilling in the then existing state of India’s finances to recommend positively any measure which might endanger the revenue, and made a number of tentative proposals with the object of mitigating some of the evils of the system.

Opinion was no less divergent on the question of the incidence of the tax. From the earliest times, many thoughtful persons condemned it. In the course of his evidence before the Select Committee of 1832-33, Rammohun Ray said : “ As salt has by long habit become an absolute necessity of life, the poorest peasants are ready to surrender everything else in order to procure a small proportion of this

submit to the annihilation of the last remaining branch of their domestic manufactures.”

article. . . . If salt were rendered cheaper and better, it must greatly promote the common comforts of the people.”

In many of the petitions presented before the Select Committees of 1852-53, the salt duty was described as a tax which pressed very heavily on the poor. Some of the witnesses before these Committees were very emphatic in their condemnation of it. W. Keane described it as “an oppressive tax” and as “the greatest temporal curse on the country.” He added: “I think to tax water or rice or salt in India must be a sure way to injure the country.”¹

In 1853, the House of Commons adopted a resolution urging the abolition of the duty. But the government did not see their way to accept it, as it was, in their opinion, the only tax paid by the mass of the people, who had long been accustomed to it and on whom it did not press heavily.² John Bright characterised the system as “economically wrong and hideously cruel.”

The salt revenue derived from the whole of India, exclusive of customs duties levied on the import of that article, amounted to £2,501,881 in 1856-57 and £2,131,346 in 1857-58. Including the yield of the customs duty, the revenue derived from this source was £3,812,217 in 1856-57 and £3,249,978 in 1857-58. The salt revenue thus represented nearly 10 per cent.

¹ Report of the Lords' Committee, vol. ii.

² Speech of Sir Charles Wood in the House of Commons, 1854.

of the total income of India towards the close of the Company's rule.¹

We come now to a source of revenue which was next to salt in the order of yield during the first three-quarters of the Company's administration, but which far outstripped the latter in the remaining period. This was the opium monopoly. It was a commercial transaction, and may be regarded as one of the sources of non-tax revenue. If it be considered a tax, it fell not so much upon the people of India as upon the inhabitants of China. During the Mahomedan rule, considerable income was derived by the State from this source. The monopoly of the Company in this article is to be traced to the very origin of British influence in Bengal. It began at Patna as early as the year 1761. But it was the acquisition of the *Diwani* which opened a wide field for the project. It was then adopted and owned as a resource for persons in office.² The monopoly was justified on various grounds, such as "the security against adulteration ; the prevention of an excessive consumption of a pernicious drug ;

¹ The rates of duty per maund at this time were Rs. 2 8 as. in Bengal and 12 annas in Bombay. The selling price per maund was Re. 1 in Madras and Rs. 2 at the Punjab mines. The inland customs duty was in most places Rs. 2, but in some places Re. 1 8 as. or Re. 1. The selling price included the cost of manufacture, estimated at 3 annas per maund. The total quantity of salt consumed in British India (excluding British Burma) was 2,02,87,641 maunds in 1857-58.

² Ninth Report of the Select Committee, 1783. According to the Committee, the opium monopoly "was managed by the civil servants of the Patna factory, and for their own benefit." These profits were afterwards "applied to the special object of providing salaries for the Chiefs of Divisions, officers newly created by Hastings in 1774." Monckton Jones, *Hastings*, p. 232.

the stopping of an excessive competition, which by an overproportioned supply would at length destroy the market abroad; the inability of the cultivator to proceed in an expensive and precarious culture without a large advance of capital; and, lastly, the incapacity of private merchants to supply that capital on the feeble security of wretched farmers.”¹

The real motive, however, as was pointed out by the Select Committee, was “the profit of those who were in hopes to be concerned in it.” In 1773, the exclusive privilege of supplying opium was farmed out by Warren Hastings to one Mir Munir, who was to deliver Behar opium at Rs. 320 and Oudh opium at Rs. 350 to the Company. This system led to the oppression of the cultivators. Various illegal cesses were levied on them, and forcible means were often used in order to induce them to cultivate poppy. In spite of the many defects of the system, the contract was renewed in 1775,² and similar contracts were made during the ten years which followed. In 1785, the government decided to throw the contract open to public competition and to accept the highest offer. This contract was made for four years. The government reserved

¹ Ninth Report of the Select Committee, 1783.

² On this occasion, the contract was given to the highest bidder, one Griffiths. The third contract was given to one Mackenzie for three years. In the meantime, various evils had manifested themselves. One such instance was mentioned by the Select Committee. In 1776, notwithstanding an engagement in the contract strictly prohibiting all compulsory culture of the poppy, information was given to a member of the Council General that fields green with rice had been “forcibly ploughed up to make way for that plant.” Ninth Report of the Select Committee, 1783.

to itself the right of appointing inspectors to superintend the provision and manufacture of opium. It was also declared to be the duty of Collectors of districts to hear all complaints of the raiyats against the contractors, and to provide redress. When Lord Cornwallis arrived in India, he investigated the whole matter. The mode of supply by contract was renewed for another term of four years. Some of the *abwabs*, or illegal cesses, were abolished, and the rate, at which the contractor was required to purchase the crude opium from the cultivator, was fixed. But the government knew, or ought to have known, that this rate could never be effective. The Select Committee observed as follows in this connexion: "Your Committee cannot but notice the singular principle on which the contracts must have proceeded, wherein the government on contracting for the price at which they were to receive the opium, at the same time prescribed the price at which it should be purchased by the contractor, more specially when it appears that, as the latter was to exceed the former, it might be supposed that the contractor agreed to supply opium to the East India Company at a lower rate than he could purchase himself."

In 1792, the regulations relating to opium were revised. But the revenue derived from the monopoly considerably diminished, owing to the debasement of the article by adulteration. It was, therefore, decided to discontinue the contract system, and in 1799, the

agency of a covenanted servant of the Company was substituted. Regulation VI of this year prescribed rules for securing to the poppy cultivators the benefit of the ancient rates of rent on their lands.

This change in the management of the monopoly led to an improvement in revenue. In the last four years of the contract system, the average net income from opium was 8,19,400 *sicca* rupees (£81,940) a year, while the annual average of the four years 1807 to 1810 was no less than 59,80,100 *sicca* rupees (£598,010).

The agents appointed for the provision of salt and opium were, previously to their entering on the duties of office, required to take an oath to the effect that they would not derive any advantage themselves or allow any other persons to do so. Rules for enforcing the monopoly, and at the same time for protecting the cultivator, were embodied in a Regulation passed in 1816.

The monopoly system was regarded as objectionable in many quarters. As early as 1776, Philip Francis wrote : " The monopoly of this article is highly prejudicial to the foreign trade of Bengal. Nor have we a right to reckon the whole revenue arising from it as clearly gained to the Company, since it is beyond all doubt that the landed revenue suffers considerably by government's engrossing the produce of the lands ; in proportion as the monopoly operates, the rents of the lands must diminish." ¹

¹ Francis added : " To recover the province of Behar from its present state of universal poverty and depopulation, I see no method so easy and

The question was fully discussed by the Parliamentary Select Committee of 1832-33. Several alternative methods were suggested by witnesses before this Committee. The first suggestion was that lands under poppy cultivation might be subjected to an additional assessment. The Committee thought that, although this plan was not free from difficulty, it was worthy of consideration. The second suggestion, namely, that a duty might be levied according to the value of the standing crop when ripe, was considered impracticable on account of the extreme uncertainty of the crop and also of the difficulty of estimating the probable produce. The levy of an excise duty on the juice, when collected, was the third plan suggested. The Committee thought that there were insuperable objections to the adoption of the third plan, in view of the expense of collecting the duty and the impossibility of preventing the most extensive smuggling. The last alternative was a customs duty on the exportation of opium. In the opinion of the Committee, this was a desirable mode of taxation, inasmuch as it tended to leave the producer unfettered, and the burden would fall exclusively on the foreign consumer. But the adoption of this method was likely to lead to a diminution of revenue.

The Committee expressed the opinion that the monopoly of opium, like all other monopolies, had certain certain as throwing open the opium trade, and making some alterations in the present oppressive method of providing the Company's saltpetre." Appendix 14 to the Report of the Select Committee, 1783.

defects,—it was uneconomical in production, and imposed restrictions on the employment of capital and industry. But it was not, in their view, productive of very extensive or aggravated injury. Unless, therefore, it was found practicable to substitute an increased assessment on poppy-growing lands, the Committee did not see how the amount of revenue then collected could be obtained in a less objectionable manner. Besides, as the burden of the tax fell principally upon the foreign consumer, it was, on the whole, less liable to objection than any other tax which might be substituted for it. The Committee were not, however, oblivious of the fact that the revenue was of a precarious kind, depending as it did on a species of monopoly, under which the government possessed exclusive control over neither the production nor the consumption of the article. Besides, it had already been materially affected by the competition of Malwa opium. In their opinion, therefore, it would be highly imprudent to rely upon the opium monopoly as a permanent source of revenue. They further expressed the belief that the time was not perhaps very distant when it might be desirable to substitute an export duty, and thus by increased production under a free system it might be possible to obtain some compensation for the loss of monopoly profit.

The monopoly of opium in Bengal supplied the government with an annual revenue amounting to about Rs. 90,23,387 (£902,338) during the few years

preceding 1832. The duty amounted to a rate of $301\frac{3}{4}$ per cent. on the cost of the article. The revenue rapidly increased during the remaining years of the Company's rule. In 1837, the net revenue amounted to Rs. 1,76,16,665 (£1,761,666). In 1839, there was a serious trouble with China over the trade in this article. The Chinese authorities seized the opium, and this led to hostilities with the Emperor of China. In 1845, the revenue derived from this source by the Government of India exceeded two crores of rupees, or nearly two million pounds sterling. Thus, in less than twenty years, the opium revenue had more than doubled itself.

In 1847, the Board of Control observed that the system of sales tended completely to identify the government with the opium trade in the Far East, which was hardly desirable in view of the complaints of the Chinese people. They, therefore, urged that it should be considered whether a fixed duty, added to the cost and charges of manufacture, might not be conveniently substituted for the constantly fluctuating profits then derived from the speculative competition of bidders at the opium sales, or whether it would be advisable, in the first instance, to introduce the principle of fixed prices instead of sale by auction.¹ The advantages of the proposed changes were thus summed up by the Board : “ By an arrangement of the above description the Government of Bengal would be relieved from all

¹ Parliamentary Paper No. 146 of 1852.

share in the opium speculations based on upset prices, and the speculators would have no occasion to invest a single rupee in purchasing opium before the time they required it for export. The value of the opium would be paid by each purchaser into the government treasury, without any notoriety being given to the extent of the traffic in that article between British India and China.”

In 1852, Lord Dalhousie introduced important changes into the system of opium administration in British India. The main characteristics of the system as it existed in the closing years of the Company's rule may be summed up in the following words. The management of what was known as Bengal opium was vested in the Bengal Board of Revenue.¹ There were two opium agencies, namely, those at Patna and Ghazipur, under European agents. Subordinate to the agents was a large staff of deputy and sub-deputy agents, who were all Europeans.² The entire system was a strict government monopoly. Nowhere throughout British India (except to a slight extent in the Punjab), was either the cultivation of poppy or the manufacture of opium permitted, except on account of the government. The opium agents and the officers subordinate to them entered into annual contracts with the agriculturists for the cultivation

¹ A large proportion, amounting to nearly one-half of the opium, was actually grown and manufactured within the jurisdiction of the North-Western Provinces.

² *Moral and Material Progress and Condition of India*, 1882-83.

of certain areas, and the delivery, at fixed prices, of the whole of the juice of the poppy grown by them. Officers of the government were instructed not to put upon the cultivators any pressure to grow poppy in preference to any other crop, but those who entered into contracts with the opium officers were bound, under heavy penalties, to cultivate the full number of acres. The total area under poppy varied from year to year. The quality of produce varied owing to this circumstance, and also according to the character of the season. The local officers forwarded the juice under seal to the two factories at Patna and Ghazipur, where it was manufactured into opium. The opium was then made into balls and packed in chests. These chests were sold at Calcutta by auction on fixed days in each year. The merchants who bought them exported the chests to China.

Considerable amount of revenue was also derived from the article in Bombay. This opium was produced in the Indian States of Central India. Till the year 1831, the government reserved to itself the monopoly of the opium grown in Malwa, which was enforced by means of treaties with the States concerned. The produce was purchased by the Resident at Indore, and sold by auction at Bombay and Calcutta. This system involved much smuggling and constant disputes with the Indian States. It was, therefore, abandoned in 1831, and a 'pass fee' or transit duty was substituted on the opium permitted to

proceed to Bombay. The original rate of the duty was Rs. 175 per chest; but the exporters found it cheaper to ship the drug from the Portuguese port of Damaun. The government then thought it expedient to reduce the duty to Rs. 125 per chest. But after the conquest of Sind, it was found possible to increase it to Rs. 200 in 1843, and to Rs. 300 in 1845. In 1846, the fee on passes was raised to Rs. 400 per chest. In 1845-46, the revenue from Malwa opium exported to China exceeded 62 lakhs a year. A small amount of income was also realised from the export of the drug to Singapore and the Straits Settlements.¹

Towards the close of the Company's administration, the character of the opium revenue became the subject of criticism in Parliament. In 1855, John Bright said : " He would not go into the question of the opium trade further than to say that a more dreadful traffic or one more hideous in its results never existed, except perhaps the transportation of Africans from their own country to the continent of America." ²

The growth of the opium revenue was very remarkable. In 1785-86, the yield was only £169,321. In the beginning of the century, the net revenue derived from this source was £267,121. In the year 1810-11, it amounted to £839,809. In 1820-21, it was £1,264,329 ; in 1830-31, £1,183,185 ; in 1840-41, £874,217. In 1850-51, it rose to £2,750,349, an

¹ Parliamentary Paper No. 146 of 1852.

² Debate in the House of Commons on the Financial Statement relating to India, 1855.

enormous increase, attributable to the new trade opened with China. In 1856-57, the net opium revenue was £3,860,390. In the following year, it rose to £5,818,375.¹ This source thus yielded about 20 per cent. of the total income of India in the closing year of the Company's rule.

The opium revenue, however, was always regarded as a resource of an uncertain character, for its amount fluctuated with the abundance or scarcity of the crop, which varied with the season, and with the demand for the article—which itself depended on the taste of a foreign nation.

Customs formed a source, though not a very important source, of State revenue in India in pre-British days. When the East India Company acquired possessions in India, customs duties were levied under its authority in different parts of the country. The three Presidencies of Bengal, Madras, and Bombay administered their own customs departments, and had their separate tariffs. The customs regulations of the Presidencies were different, although a certain amount of similarity was observable in them.

In Bengal, the net revenue derived from customs levied at the port of Calcutta, on an average of the three years 1768-69 to 1771-72, was Rs. 1,90,285 (£19,028). There was, however, an increase during

¹ In presenting the Financial Statement relating to India before the House of Commons in 1859, Lord Stanley gave gross figures. The gross receipts for 1856-57 and 1857-58 were £5,002,400 and £6,864,209 respectively.

the next three years, the annual average rising to Rs. 3,40,908 (£34,090). In the year 1793, the revenue from this source in the province stood at about 6 lakhs of rupees.¹

In 1773, by a resolution of the Government of Bengal, it was directed that every article of foreign or inland trade, excepting salt, betel-nut, and tobacco (the duties on which were continued as before), should pay a duty to the government of $2\frac{1}{2}$ per cent., when imported into or exported from any part of Bengal, Behar, and Orissa, whether by land or by water.² This collection was in addition to the town duties paid in Calcutta, which were known as the "Calcutta customs." A Board of Customs, consisting of a member of the Council and four senior civil servants, was instituted in this year at the Presidency, to inspect, regulate and control the system. Five customs-houses were established at Calcutta, Hughli, Murshidabad, Dacca, and Patna, besides *chaukis* stationed on the western and northern frontiers. Some alterations were made in 1781. The system caused a great deal of inconvenience. Therefore, with a view to promoting internal trade, it was judged expedient in 1788 to abolish the

¹ The collections for the year 1773 were: Inland imports, Rs. 162,354; foreign imports, Rs. 1,74,481. Deducting the expenses of collection, drawbacks, and commission paid to the customs master, the net revenue amounted to Rs. 3,04,818.

² The author of *British India Analysed* observed in 1793: "The Company endeavoured to reduce the importance of Government duties, and throw them into the scale of *farman* privileges, combined with the interest of the Company's servants; and it became necessary for that purpose to confound inland duties, and the import and export duties." P. 482.

'government' customs throughout the country, except on exports and imports passing the Company's north-western frontier at the confluence of the rivers Ganges and Gogra. A new customs-house was established at Manjee, situated at the confluence, for collecting the duty of $2\frac{1}{2}$ per cent.¹

These rules were re-enacted in 1793, with some modifications. But the arrangements being found objectionable, both in diminishing the public resources and imposing a double burden on the trade of Calcutta, it was decided by the Governor-General in Council to abolish the 'Calcutta customs' and to re-establish the 'government customs' on imports by sea into, or exports from, the port of Calcutta. By Regulation I of 1797, an additional duty of 1 per cent. was imposed upon imports into, or exports from, Calcutta, (money and bullion excepted), to assist in defraying the expenses of an armed vessel for the protection of the commerce of this part of the country against privateers. This was discontinued in 1800, and the former duty of $2\frac{1}{2}$ per cent. was raised to $3\frac{1}{2}$ per cent. in pursuance of an order of the Court of Directors. In 1801, in order to improve the public revenue, the customs-houses were, in addition to those at Calcutta, re-established at Hughli, Murshidabad, Dacca, Chittagong, and Patna.² Rules for the collection of customs in the upper provinces were enacted in 1803 and 1804,

¹ Harington's *Analysis of the Bengal Regulations*.

² This was instead of Manjee.

and customs-houses were established in the principal towns.¹

The administration of the customs was under the revenue department till the year 1793, when it was transferred to the commercial department. A Regulation enacted in that year established the principles of collection and the rates of duties to be collected at the two then existing customs-houses of Calcutta and Manjee. Certain alterations were made in 1797 and 1809. Until 1809, the rate of duty prevalent in Bengal on imports and exports was, with a few exceptions, $3\frac{1}{2}$ per cent. There were, besides, various other payments to be made, such as stamps on *rawanas*, commission and fees to customs masters, etc., which not only were burdensome and vexatious to the merchants but increased the cost of collection.²

In 1809, a Committee on Customs recommended important changes, which were embodied in Regulation IX of 1810. All previous enactments regarding customs were rescinded, and export and import duties were fixed, ordinarily at $7\frac{1}{2}$, on some goods at 10, and on the rest at 5 per cent.³ A few articles, such as bullion and coin, horses, and timber used for ship-building, were exempted from payment of import duty. Among the exports, grains of all sorts, precious stones and pearls, carriages, and opium purchased at the

¹ Harington's *Analysis of the Bengal Regulations*.

² Report of the Committee on Customs and Post Office Regulations, 1836.

³ *Ibid.*

Company's sales, were left free. The general tendency of this Regulation was to raise the rate of taxation. No distinction was made between British and foreign vessels. Nor were the rates of duty affected by the origin of the goods. The administrative provisions of this Regulation related to the time and manner of the collection of export and import duties, and the grant of certificates and drawbacks. In some cases, a drawback was specifically allowed, and all goods, imported expressly for re-exportation, were declared to be entitled to a drawback amounting to two-thirds of the duty paid on their importation.¹ The financial results of these changes were eminently satisfactory.

An important alteration in the sea customs law of Bengal was introduced by Regulation III of 1811, the object of which was to give a preference to British vessels over foreign shipping by imposing heavier duties on the latter so as to secure the carrying trade of India to the former. The duties levied on exports and imports carried in foreign ships were raised to double the rates chargeable on goods conveyed in British vessels. The same principle was also followed in regard to drawbacks. Another provision of the Regulation, which aimed at the exclusion of foreigners from the coasting trade of India, was to the effect

¹ Customs-houses were established in the cities of Agra, Farukhabad, Allahabad, Benares, Patna, Murshidabad, Dacca, Calcutta, and in the towns of Meerut, Cawnpur, Mirzapur, Chittagong, Hughli, and Balasore. Collectors were stationed at the larger places, and deputy collectors at the smaller ones; and they were empowered to establish *chaukis* at convenient centres. An oath was to be taken by the Collectors and their deputies.

that foreign vessels should proceed from British Indian ports direct to their own countries.

Several modifications of minor importance were introduced in 1812, 1813, and 1814. In the year 1815-16, the gross collections in the Lower and Upper Provinces of Bengal amounted to Rs. 62,06,488 (£620,648). The net customs revenue was about 48 lakhs of rupees. In the course of the year, important changes were effected by Regulation IV of 1815. With a view to encouraging the manufactures, trade, and shipping of Great Britain, it was provided that woollens of all sorts, all metals in a manufactured state, and canvas, cordage, and marine stores, being the produce or the manufacture of the United Kingdom, which were hitherto assessed with duties, should be exempted from any payment on importation, provided they were brought from Great Britain in British registered or Indian built ships. It was also provided that all other articles similarly imported, and being the produce or manufacture of the United Kingdom, should, instead of being subject to the existing duties, be assessed at the rate of $2\frac{1}{2}$ per cent. Wines and spirits only were exempted from this provision, and were subject to the duties already established. Further, it was provided that articles, the produce or manufacture of Continental Europe, if imported in British registered or Indian built ships, were to pay duty at the rate of 5 per cent. With regard to exports, the provision was that indigo, cotton, wool, hemp and

sunn, the produce or manufacture of British India, should on exportation by sea to Great Britain, in British registered or Indian built ships trading with the United Kingdom, be entitled to a drawback equal in amount to the duty paid on the articles. All other articles, liable to duty under the regulations then in force, and exported by sea according to the foregoing conditions, were to be allowed to secure such drawback as would leave the amount of duty actually retained at $2\frac{1}{2}$ per cent.¹

The effect of these changes was to communicate a great impulse to British commerce and industry. But the manufactures of India, heavily taxed by the system of inland duties, were placed in an unquestionably disadvantageous position in competition with free or lightly taxed goods from the United Kingdom. These changes were also harmful to the financial interests of India. The revenue from customs in Bengal, which had increased by 10 lakhs in the years 1808-09 to 1813-14, remained practically stationary during the next twenty years.

In 1817, the exemption from duty, accorded by Regulation IV of 1815 to unmanufactured metals, was extended to all metals, wrought or unwrought, of British origin. By Regulation V of 1823 the transit and sea import duty leviable on Indian piece-goods (cotton, silk, and mixed), was reduced from $7\frac{1}{2}$ to $2\frac{1}{2}$ per cent. It was also provided that these de-

¹ Report of the Committee on Customs and Post Office Regulations, 1836.

scriptions of piece-goods, having once paid either the transit or the import duty specified, should have free export from any part of the Bengal Presidency, provided they were exported to Europe in British ships; if exported to Europe in foreign vessels, an export duty of $2\frac{1}{2}$ per cent. was chargeable; if exported to places not in Europe, they became liable to export duty at $2\frac{1}{2}$ or $7\frac{1}{2}$ per cent., according as they were conveyed in British or foreign ships. The object of these provisions was to place the Indian and British piece-goods on the same footing. But the relief was only partial, because various other articles still remained subject to inland duties. Besides the relief, as was observed by the Committee on Customs, "came too late," the Indian cotton manufactures having already been destroyed.

By Regulation XV of 1825 the entire customs law of Bengal was recast. The main principles, however, of the previous enactments were kept intact. In 1836, on the occasion of the abolition of the inland duties, the customs duties underwent a thorough revision. The number of enumerated classes of goods was thirty-two. Some articles of British manufacture, which used formerly to be imported free, were now subjected to duty. For instance, marine stores and metals were required to pay a duty of 3 per cent., and woollens, 2 per cent. All articles not included in the enumerated list were liable to a duty of $3\frac{1}{2}$ per cent. The import duty on cotton and silk piece-goods,

cotton twist and yarn of British manufacture, was raised from $2\frac{1}{2}$ to $3\frac{1}{2}$ per cent. Products of foreign countries paid double the rates of duty. The differentiation regarding country of origin and flag was continued, and, with the exception of the duties on opium and salt, all articles imported in a foreign vessel paid double the rates which were leviable on the same goods when imported in a British ship.¹

The duties on exports were greatly simplified. The number of enumerated articles was reduced from 234 to 15, of which six were exempted from payment of duty. Sugar and rum exported to the United Kingdom or any British possession became free; but if exported to any other place were made liable to payment of duty at the rate of 3 per cent. Cotton exported to Europe, the United States, or any other place, had to pay a duty of 8 annas per maund. All unenumerated articles paid duty at the rate of 3 per cent. As in the case of imports, goods exported in foreign ships paid double the duties chargeable on those exported in British vessels.

When the duty was declared to be *ad valorem*, it was levied on the market value of the article. Upon re-exportation by sea of goods imported, excepting opium and salt, a drawback amounting to seven-eighths of the amount of duty levied was to be allowed. If goods were re-exported in the same

¹ *Vide* Schedules A and B to Act XIV of 1836, also Parliamentary Paper No. 147 of 1852.

vessels without being landed, no import duty was to be levied thereon.

In 1843, duties, which till then had continued to be levied on imports as well as exports in the territories situated in the northern and western frontiers in Upper India, at the old rates of transit duty, were rescinded. This Act (XIV of 1843) confined collections on import and export across the frontier customs lines to three articles only, namely, salt and cotton imported from foreign States, and sugar exported from British territory. Important alterations were made in 1845 and 1848, which we shall discuss later.

The customs duties originally levied at Bombay were on a low scale. In 1793, the customs revenue of the Bombay Presidency was only £53,000. In 1799, the rate of duty was fixed at $2\frac{1}{2}$ per cent. All export duties were withdrawn, and grain of all sorts was exempted from duty. The customs master and his assistant were authorised to levy certain fees. The rate of duty was *ad valorem*, modified in the case of foreign vessels by an advance of 60 per cent. on the prime cost. In 1805, an addition of 1 per cent. was made to the rate of duty, thus raising it to $3\frac{1}{2}$ per cent. In 1813, the rate of duty at Bombay was raised on imports in foreign vessels from $3\frac{1}{2}$ to $4\frac{1}{2}$ per cent., with an advance of 60 per cent. in the case of foreign goods. On exports, the duty was fixed at $3\frac{1}{2}$ per cent., which, together with the inland import duty, amounted to 7 per cent. In 1815, with a view

to encouraging the importation of British goods into India, the duties payable on various articles were abolished, and those on other articles modified. In the case of certain exports, such as indigo, cotton, wool, hemp and sunn, a drawback of the whole amount of the duty was granted on exportation to the United Kingdom; in other cases, such a drawback was allowed as might reduce the duty actually receivable by the government to $2\frac{1}{2}$ per cent. In 1817, certain alterations were made, the most important of which was that the duty on goods coming from Continental Europe in British ships was reduced to $3\frac{1}{2}$ per cent.

At Surat and the other ports in the Bombay Presidency, the customs rates differed to some extent, but many of these places enjoyed mutual certificate privileges. British goods and goods imported in British vessels were, at all the subordinate ports, admitted free on arrival from Bombay.

In 1827, the system of sea customs under the Bombay Presidency was revised by a Committee, when the duties on goods from the United Kingdom and the exemptions were retained in their former state, while the duties on foreign goods imported in foreign vessels were raised.

It was the policy of the Government of Bombay to administer the customs system departmentally. But in 1827-28, the sea customs were farmed throughout the Presidency, except at Bombay and a few other ports. The rates of customs duties were revised in

1845, and assimilated with those of the other provinces in 1848.

In the early years of the Company's rule, the customs duties in the Madras Presidency were at the rate of 5 per cent. These were usually received by Collectors appointed by the Company. The collections were not, however, to the full extent. In 1765-66, they amounted to 89,884 pagodas. The revenue fluctuated from year to year. In 1770-71, the income fell to 82,947 pagodas, while in 1779-80, it was as low as 60,842 pagodas. In this year, advertisements were published for leasing them out for five years. But objections were made by merchants to this procedure, and the proposal was dropped under the instructions of the Court of Directors.¹

Revisions of the customs regulations of Madras took place in 1781 and 1786. The chief feature of the latter revision was the imposition of a duty on imports into Madras at 5 per cent., with a drawback at 4 per cent. on goods re-shipped. The 5 per cent. rate was, however, considered too high, and was reduced in 1789. In 1795, a duty of $2\frac{1}{2}$ per cent. *ad valorem*, with advances of 60 per cent. on foreign goods, or goods imported in foreign ships, was fixed. On exports also, a $2\frac{1}{2}$ per cent. rate on all goods, with certain exemptions, was levied. In 1789, the Court of Directors instructed the Madras Government to levy an additional duty of 1 per cent. on the imports and

¹ Fourth Report from the Committee of Secrecy, 1782.

exports by sea, in order to meet the increased marine charges.

In 1803, a general duty of 6 per cent. was established on articles imported by sea into Madras in British or Asiatic or American vessels, and of 8 per cent. on goods imported in other vessels. In 1812, the customs system of the Madras Presidency underwent another revision. A general import duty at 8 per cent. was established on goods imported in British or Asiatic vessels into Madras and the subordinate ports.¹ An export duty at the same rate was levied on goods shipped from the subordinate ports ; but no export duty was levied at the port of Madras except on goods sent out in foreign vessels. Goods imported or exported in foreign vessels were subjected to double the rates.

Regulation II of 1816 was enacted with the object of encouraging the importation of certain classes of British goods into the Madras Presidency. Its provisions were similar to those already in force in Bengal and Bombay. Regulation VII of 1819 fixed a general import duty of 5 per cent. on the produce or manufacture of Continental Europe ; but in the case of goods from the United Kingdom, the general rate was $2\frac{1}{2}$ per cent. Certain kinds of goods, such as metals and metallic manufactures, jewellery, clocks, watches, shawls and woollens, were imported free. Some alterations were made in the customs regulations

¹ Regulations II and IV of 1812. No import duty was levied on cotton.

of the province in subsequent years ; but these did not involve any change in principle.

The Committee on Customs recommended in 1836 the assimilation of the Bombay and Madras tariffs to the revised tariff which had been recently adopted for Bengal. They pointed out that the want of uniformity in the rates of duty prevalent at the different ports of India involved the injustice of a system of unequal taxation, and caused great inconvenience to the public.

In 1844, the Court of Directors instructed the Government of India to revise the rates of customs duties at the three Presidencies, in order to make good the large deficiency in revenue occasioned by the abolition of the inland customs and town duties in Madras and by the abandonment of town and local duties in the Bombay Presidency. The revision was effected in 1845, and the rates of import duties levied in Bengal, Madras, and Bombay on British manufactured articles were raised to five per cent., if carried in British vessels, and ten per cent. when conveyed in foreign ships. These rates were doubled in respect of foreign manufactures imported in British vessels, and quadrupled when imported in foreign ships, with the exception of wines and liquors, the duties on which were only doubled. No alteration was made in the rates of export duty on this occasion.

In 1846, the Court of Directors sent a very important despatch to the Government of India, in which they

urged the adoption of three principles: first, the abolition of export duties on all articles except indigo; second, the abandonment of the double duties imposed on both exports and imports in the trade in foreign vessels¹; and third, the publication of a general tariff of duties for the whole of British India, the trade from port to port being left free and unrestricted in all articles, with the exception of salt and opium.²

Two of these proposals were adopted in 1848. Inter-provincial trade was rendered completely free, and the whole of India was now for the first time treated as one empire. The discriminating duties on goods carried in foreign vessels were abolished. In 1850, the coasting trade was thrown open to the ships of all nations. Two defects, however, namely, the imposition of export duties and the levy of a distinctive

¹ In case it was deemed necessary to give protection to the shipping of British India, the Court was inclined to prefer the exercise of powers conferred on them by Parliament by the Act of 1797 and prohibit all importations in foreign vessels into the ports of British India from the United Kingdom and British Possessions generally, and from any ports whatever in Asia, or on the coast of Africa. *Vide* Parliamentary Paper No. 147 of 1852.

² In a Minute recorded by Sir Thomas Maddock, Acting President of the Council of India, he stated that he was prepared to concur in an enactment to declare the coasting trade absolutely free. He was also strongly in favour of the abolition of export duties on the staple products of India, which were already heavily taxed, in the shape of rent on the lands on which they were produced, which would be greatly benefited by the proposed measure. In his opinion, it was desirable for the government to encourage the production of silk, sugar, cotton, saltpetre, food grains, and indigo. He, however, did not consider it desirable to make any difference between indigo and other articles, as Java, Brazil, and some other countries had already begun to compete with India in the trade in that article. The only difficulty was a financial one. Millet, a member of the Council of India, agreed with the President in most of his observations.

double duty on goods imported from foreign countries, were not removed till after the end of the Company's administration.

The revenue derived from customs, including the duty on imported salt, came up to £2,289,072 in 1856-57 and £2,148,834 in 1857-58. Excluding the duty on imported salt, the customs yielded £978,736 in 1856-57 and £1,030,202 in 1857-58.¹ The income derived from customs was a little over 3 per cent. of the total revenue of the country in the last days of the Company.

Under the pre-British system of administration, inland transit duties were levied in almost all parts of India. Not only was this right exercised by the ruling authority, but many of the great zemindars levied tolls on merchandise passing through their territories. After the Company had acquired possessions in India, the old system was retained for some time, and duties of varying amounts were levied at almost all the stages of the journey. Gradually, these various tolls were commuted for one general duty payable at the nearest station to the place whence the goods were despatched, and a *rawana* or permit was issued by the Collector authorising the goods to pass without payment of any further dues. The goods were, however, liable to examination all along the route, and the

¹ The customs receipts of the different provinces in 1857-58 were as follows : Bengal, £1,306,663 ; North-Western Provinces, £26,693 ; Punjab, £127,735 ; Madras, £143,174 ; Bombay, £444,540 ; Sind, £9,079 ; Satara, £504 ; Nagpur Territory, £806 ; Pegu and Martaban, £80,558 ; Tenasserim, £9,027.

consequent delay and vexation were great. In addition to duties, illegal exactions were made by the collecting officers. The entire system was oppressive, particularly to the small merchants, and impeded, in no small measure, the development of internal trade.¹

Inland duties were generally levied *ad valorem*. The duties on salt, tobacco, and a few minor articles were, however, subject to payment according to quantity, while those on silk and indigo were levied according to a fixed valuation. The work of appraising was a matter of no small difficulty; and in cases where articles, like piece-goods, had to be valued by poorly paid officers, a considerable amount of corruption prevailed.

Goods imported by sea passed free into the interior, whether an import duty was leviable or not. The inland duty was, either wholly or in part, repaid on goods for exportation. The system of drawbacks, however, led to much inconvenience. The collection of inland duties was in many districts farmed. Under this system, there was less smuggling, and the cost of superintendence was saved. But it led to much extortion.

Let us now discuss some of the details concerning these inland duties as they were found in the different provinces. In Bengal, in 1772, the zemindari *chaukis*,

¹ Report of the Select Committee on the Affairs of the East India Company, 1832-33.

where transit duties had till then been exacted, were abolished, and only the government *chaukis* were retained. The duties operated partly as customs and partly as transit duties. All transit duties were abolished during the administration of Lord Cornwallis, but were re-imposed in a modified form in 1807. Under the provisions of Bengal Regulation IX of 1810, a large number of articles, including cotton yarn and piece-goods, silk fabrics, embroidered cloths and brocades, betel-nut, drugs and gums, paid a transit duty of $7\frac{1}{2}$ per cent. *ad valorem*. Woollens, gold and silver tissues, indigo, sugar, and *gur*, paid 5 per cent. A specific duty of Rs. 7 per maund was levied on iron and steel at the nearest customs-house on the frontier. Goods which had once paid the prescribed duties were not liable to any further duties in passing through the provinces. By Regulation XVII of 1810, a transit duty was levied on all salt, not being salt purchased at the Company's sales in Calcutta, at the following rates : Lahore salt, 1 rupee per maund ; Balumba salt, 12 annas ; Salumba salt, 8 annas ; any other alimentary salt, 4 annas. In 1815-16, the gross collections amounted to Rs. 2,19,358 (£21,935).

In 1825, Holt Mackenzie submitted a memorandum in which he pointed out the many objections which existed to the collection of inland transit duties, and urged their abolition. These duties, in his opinion, not only caused great vexation but imposed on trade

a very heavy tax in the shape of delay and illicit exactions. Some articles had to run the gauntlet through ten customs-houses before they reached their destination, and few of the staple commodities of the country escaped subjection to repeated detention. The burden of the government duty, he wrote, of 5 or $7\frac{1}{2}$ per cent. was itself a heavy one, but when to this was added the illegal demands of customs-house officers, it became almost prohibitive to the merchant who did business on a small scale.

The subject again attracted attention a few years later. In 1834, Charles Trevelyan submitted a Report on the customs and inland duties in the Bengal Presidency. In the following year, Lord Ellenborough, President of the Board of Control, invited the earnest attention of the Court of Directors to this Report. In the course of this letter, Lord Ellenborough pointed out that no less than 235 articles were subjected to inland duties, and that the tariff included almost everything of personal or domestic use. The operation of the system, combined with the practice of search, was extremely vexatious and offensive, without materially benefiting the revenue. And its effect was virtually to prohibit the manufacture in towns of all articles not absolutely required for their own consumption, to confine manufactures to the place where raw material was produced, and by such restrictions to depress the productive industry of the people. "It is a system," added Lord Ellen-

borough, "which demoralises our own people, and which appears to excite the aversion of all the foreign traders of Asia."¹

A few days later, the Board of Control requested the Court of Directors to send instructions to the Governor-General in Council, asking the latter to take immediate measures for relieving the internal traffic in the British territories of all obstruction to which they were at that time exposed by town and transit duties, and to enter into engagements with the Indian princes for the purpose of extending beyond the British frontiers entire freedom of commercial intercourse.²

Not long after, a Committee was appointed by the Government of India for the purpose of investigating the system of export, import, and transit duties in the three Presidencies. While the Committee was pursuing its inquiry, A. Ross, Acting Governor of Agra, was induced, on a representation from the Board of Revenue of that Presidency, to abolish the Bareilly, Cawnpur, and Farukhabad customs-houses. The Governor-General in Council expressed his disapprobation of the precipitancy with which this measure, involving a serious reduction of resources, had been adopted, without previous con-

¹ Letter of Lord Ellenborough to the Chairman and the Deputy Chairman of the East India Company, dated the 18th March, 1835. He further remarked that the system of internal taxation was inferior to the system of every State in Asia, with the single exception of Lahore.

² Letter dated the 4th April, 1835.

sultation with the Supreme Government. However desirable the change might be, he thought it was ill-timed. Besides, the measure placed the Governments of India and Bengal in a very difficult position. Two courses were now open to the Government of India, namely, first, to rescind the orders of the Governor of Agra, and, secondly, to carry the policy further by abolishing the internal customs-houses in the Bengal Presidency. The first course was open to serious objection, for it would not only have been extremely unwise to restore a system which could not be maintained permanently, but would have exhibited an instability of purpose on the part of the government. The second course was in accordance with the views of the Court of Directors and in consonance with the sound principles of trade. After due deliberation, this latter course was chosen. The Court of Directors, on this occasion, took a very serious view of the conduct of Governor Ross, and directed that the administration of the Agra province should never again be delegated to him in any circumstances.¹

Judging the matter in a reasonable spirit, the impartial critic would perhaps observe that, though Ross was wrong in method, he was right in substance. It cannot be denied that to him belongs the credit of

¹ Letter from the Court of Directors to the Governor-General in Council, dated the 1st February, 1837. In a Minute dated the 17th April, 1837, A. Ross adduced arguments to justify his action, and used the following significant words: "Much as I regret having incurred the displeasure of the Court, I cannot but derive very great satisfaction from having made the first effective movement towards their realisation."

having taken the first active step towards the ideal of freeing the trade of the country from the most undesirable impediments. The ultimate effects of the step were quite satisfactory. Not only was the North-Western Province rid of a serious evil, but the measure hastened the repeal of the inland duties in the other provinces.

By Act XIV of 1836, all inland customs were abolished throughout the Presidency of Bengal. The question, however, with which the Government was now faced was, How was the deficiency in revenue to be made good ? In order to fill the gap, the Governor-General in Council decided to adopt a revised scale of import and export duties.

The transit duties in the Presidency of Bombay were abolished in 1836, and sea and frontier duties substituted. In order to cover a portion of the loss arising from the abolition of the transit duties, a customs and excise duty of 8 annas per maund was, as has already been noticed, levied on salt. This, however, proved insufficient to make good the deficiency.

In the Madras Presidency, in the early years of the Company's rule, the inland duty was $2\frac{1}{2}$ per cent.¹ The income derived from inland customs amounted to 19,285 pagodas in 1767-68. Twelve years later, it fell to 14,694 pagodas. By Madras Regulation I of

¹ *Vide* Letter from the President and Council at Fort St. George to the Court of Directors, dated the 9th January, 1781.

1812, a general inland duty was levied at the rate of 5 per cent. on a large number of specified articles. This duty was payable once only, and the certificate of such payment enabled the goods to pass free by land throughout the territories under the Presidency, except into the limits of the town of Madras or into the provinces of Canara and Malabar. In the former case, the goods were liable to the further payment of the town duty, and in the latter to the duty prescribed under special rules. Cotton and cotton thread were declared exempt from duty, except on exportation by the land frontier to the territories of the Indian powers or the foreign European settlements. In the one case, they were charged with the aggregate duty of 8 per cent., and in the other, with the duty to which they would be liable if exported on foreign vessels by sea. Grain of all kinds was also exempted from duty, except on exportation by the land frontier, or when entering the foreign European settlements, in which case it was charged with a duty of 3 per cent. Articles of European import, sold at the Company's sales, as also goods which were the property of the Company, were allowed to pass free.

The abolition of the inland duties in the North-Western Province, Bengal, and Bombay paved the way for the adoption of a similar measure for the Madras Presidency. These duties, which yielded in 1843-44 about 30 lakhs of rupees, were abolished by Act VI of 1844. In newly-acquired territories, the

inland and frontier duties were abolished soon after acquisition.

Tolls were charged on boats passing along certain channels of internal communication. These levies caused vexation and abuse, and impeded the trade of the country. But they were less objectionable than other forms of transit duty. These were abolished along with the other inland duties.

We now come to another class of taxes which were akin to the inland customs, namely, the town duties. These were originally levied for purposes of local improvement, but were afterwards merged in the general revenues of the country everywhere except in the city of Madras.

The Calcutta customs levied in the early days of the Company have already been noticed. These were, in reality, town duties. They were collected by the Company in virtue of their ancient factorial rights.¹ The rates were four per cent. on imports by sea, with some exceptions, and on most of the articles imported by land. A two per cent. duty was levied on land imports of piece-goods, cotton yarn, and raw silk. The duties were levied whether the goods imported were for local consumption or for the purpose of subsequent export. Town duties were not confined to Calcutta. At Patna, these duties amounted to 2½ per

¹ As Harington points out, the Calcutta customs were entirely distinct from the 'Government customs.' The latter were imposed by the Company "under the authority of the Diwani grant, and in conformity with former usage, as exercising a delegated power of sovereignty within the province specified." *Analysis of the Bengal Regulations.*

cent. There were also *ganj* or market dues. Upon an average of three years preceding 1789, the *ganjes* in Patna paid, including charges of collection, Rs. 24,412.¹ Drawbacks were allowed on articles left unsold in the towns.

The whole system was full of abuses. In 1795, the Calcutta customs were abolished. Town duties were established by Regulations enacted in 1801 for the Lower Provinces and Benares, and in 1805 for the Upper Provinces. The number of articles subjected to these duties exceeded sixty, many of which were also subject to payment of customs duties. These Regulations were found objectionable, and much inconvenience was felt from the system of successive collections. In 1810, the Regulations were revised. By Bengal Regulation X of that year, a town duty was levied at the rates specified in the Regulation on the importation of a number of articles, for sale, storage, or consumption, into any of the following cities and towns, namely, Calcutta, Benares, Murshidabad, Patna, Dacca, Agra, Farukhabad, Allahabad, Bareilly, Midnapur, Burdwan, Hughli, Krish-

¹ Thomas Law wrote in 1789: "Whatever grain, tobacco, vegetables, betel, etc., are imported must first pay the *ganj* duty; if not sold, if reloaded, the merchant must have repayment of the duty, or a drawback upon the part which he may carry elsewhere. Hence it is evident that much imposition may take place, either by debiting government for fallacious refunding, or by refusal to the merchant; indeed these objections were applicable to all inland duties, and can scarce be remedied." Law suggested the levy of a small house tax at Patna, in commutation of these duties, which, he believed, would "realise a surer and simpler revenue, prove ultimately more agreeable to all the natives, now liable to peon's searches, and relieve the trade from numberless impediments." *A Sketch of the Late Arrangements in Bengal.*

nagar, Jessore, Natore, Dinajpur, Comilla, Islamabad, Nasirabad, Rangpur, Purnea, Sylhet, Bhagalpur, Mazaffarpur, Chapra, Arrah, Gaya, Mirzapur, Gorakhpur, Banda, Cawnpur, Mainpuri-Koel, Moradabad, and Meerut.¹

By the same Regulation, a duty was also levied on the importation of salt, not being salt purchased at the Company's sales at Calcutta, into Benares, Agra, Farukhabad, Allahabad, Bareilly, Mirzapur, Gorakhpur, Banda, Cawnpur, Mainpuri-Koel, Moradabad, and Meerut at the following rates: Lahore salt, 1 rupee per maund; Sambur or Dudawari, 8 annas; Balumbar or any other alimentary salt, 4 annas.

The total gross collections in 1814-15 from the cities and towns of the Upper and Lower Provinces of Bengal amounted to a little over four and a half lakhs of rupees, the net collections being somewhat above four lakhs. The largest sum was derived from Calcutta, amounting to over a lakh of rupees.² All

¹ The rates were as follows :

Articles.	Rate of Duty.
Grain, viz., rice, wheat and barley - - -	2½ per cent.
Gram and pulses - - - - -	5 " "
Oil and oil seeds - - - - -	5 " "
Sugar, including jaggree and molasses - - -	5 " "
Ghee - - - - -	10 " "
Tobacco - - - - -	10 " "
Betel-nut - - - - -	10 " "
Turmeric - - - - -	5 " "
Charcoal and fire-wood - - - - -	5 " "
<i>(Levied on importation into Calcutta only)</i>	

² The exact amount was *sicca* R. 1,09,080. Benares came second with *sicca* R. 65,677, and Mirzapur third, with *sicca* R. 61,363; the collections from Murshidabad were *sicca* R. 37,393, and from Patna *sicca* R. 22,647. The smallest amount was collected from Chittagong, namely, *sicca* R. 132. Harington's *Analysis of the Bengal Regulations*.

town duties were abolished in Bengal and the North-Western Provinces in 1836.

The town duty levied in the city of Madras was, originally, very small. In 1767-68, the proceeds amounted to only 259 pagodas. The collection of duty seems to have ceased in 1777-78. Mention is found of another sort of collection in Madras city known as 'town brokerage,' the amount of which varied from 300 pagodas in 1767-68 to 700 pagodas in 1779-80. By Regulation III. of 1812 piece-goods imported by land into the town of Madras, or manufactured within the limits of the inland customs-house *chaukis*, were made liable to payment of a duty of 8 per cent. on the market value of such goods. Piece-goods imported into, or manufactured in, the city, for the consumption of the place, usually classed under the term *pattanatiram*, which exceeded in value 20 star pagodas per corge, were subject to an additional duty of 2 per cent., making a total of 10 per cent. If the piece-goods had already paid the inland duty, they were entitled to a drawback of the amount of the duty on production of a certificate of payment. All articles of dress imported into, or manufactured within, the town limits, for the consumption of the place, the value of which did not exceed 20 star pagodas per corge, paid only 3 per cent. duty, and the production of the certificate of payment of the inland duty entitled such goods to a drawback of the whole amount of the duty. Besides, a list of gruff articles was prepared by the

Board of Revenue, on which duties at rates not exceeding 10 per cent. were levied, subject to deduction in case of payment of the inland duty. Duties were also imposed on betel, tobacco, gudauk, bhang, ganja, and opium at different rates, and no drawback was allowed even if accompanied by *rawanas* showing payment of the inland duties. Duties were levied on areca-nut, according to the quantity of the article, at 20, 16, and 12 per cent., respectively.

Under the provisions of Regulation I of 1803, a duty of one rupee per Surat candy was levied on all cotton imported into the town of Bombay, whether in bales or *dooras*, without any drawback on re-exportation. A duty at the rate of 4 per cent. was levied on a large variety of goods, such as oil, ghee, betel-nut, tobacco, shawls, sugar, gur, candles, piece-goods, saltpetre, and spices. Some of these varieties of goods, when imported for the purpose of being wholly or in part exported, were allowed to be warehoused without paying the town duty. Liquors, whether in casks or in bottles, were liable to duty at varying rates, according to kind and quality.

These duties ceased to be in force in 1815, but were re-established in 1820, with certain alterations. In 1827, further alterations were made in the system of town duties in Bombay. Tobacco, for internal consumption or exportation, was made liable to a duty of three rupees per Bombay maund, and no drawback was allowed except on exportation to the United

Kingdom. The same duty was levied at every port within the Presidency, in addition to the established customs. The rates of duty, hitherto leviable both at Bombay and in the districts, on spirits, were abolished, and were to be regulated by the orders of the government for each place separately, but were in no case to exceed one rupee one quarter and forty reas per gallon.

Taxes were levied in the town of Surat on various trades engaged in the manufacture of silk cloths at the following rates: raw silk dealers, Rs. 4,375; silk spinners, 1,880; brocade manufacturers, at Rs. 2 per piece, about Rs. 3,500; putola silk, Rs. 700; elacha stuff, Rs. 600; kinareewallas, Rs. 800; total, Rs. 11,855. These were abolished by Regulation XVII of 1830; and, in lieu thereof, a town duty of four rupees per Surat maund was levied upon the import of the raw material into Surat. The annual payment of Rs. 15, hitherto collected from each member of the rice-beaters' panchayet who cleaned rice for sale, was also abolished, and, in lieu thereof, a town duty of two annas per bera of seven Surat maunds, was levied on the import of the article into Surat, whether by land or sea. Lastly, an import town duty of five per cent. was levied on betel-nut and paper imported into the city of Surat.

Act XIX of 1844 repealed all these duties. The main provision of the Act was in these words: "It is hereby enacted that from the 1st day of October,

1844, all town duties, *kusub veras*, *moturfas*, ballootee taxes, and cesses of every kind on trades and professions, under whatever name levied within the Presidency of Bombay, and not forming part of the land revenue, shall be abolished."

Abkari (a Persian word which means the manufacture of water) was a tax imposed by the rulers of India upon the manufacture and sale of spirituous liquors and intoxicating drugs. During the early days of the East India Company, the old system was continued. When the *sair* collections were resumed in Bengal from the landholders in 1790, it was deemed expedient to continue and extend the *abkari* duties. The various rules and orders issued in regard to these were embodied in a Regulation in 1793. This Regulation was amended in 1800. In 1813, all the rules and regulations respecting the manufacture and sale of liquors and drugs were consolidated.

The *abkari* taxes were assessed by the Collectors. These included the produce of the arrack and toddy taxes, and sometimes the collections on pepper and betel were also placed under this head. The duty on spirits in the three Presidencies, and those on the retail sale of opium and other intoxicating drugs, were chiefly levied by means of licenses to open shops. These licenses were generally put up to auction and granted to the highest bidders. There was, besides, a still-head duty on spirits manufactured in the

English fashion.¹ The *abkari* was thus a mixed system of excise and licenses.

Till the year 1829, the Collectors of land revenue in Bengal received a commission on the amount of their *abkari* collections. But in that year, this inducement was withdrawn, and the nominal control of the department was transferred to the Board of Salt, Opium and Customs in the Presidency. This change, however, led to a falling-off in the revenue. The *abkari* collections in Bengal, Behar and Orissa in 1829-30 amounted to Rs. 20,27,356 ; but the average of the seven years from 1833-34 to 1839-40 was only Rs. 15,19,713. In 1840, an Act was passed for placing the superintendence of the department in certain districts under a Commissioner, and for providing rules for the collection of the revenue. The new system proved satisfactory from a financial point of view.

The income derived from arrack and toddy licenses in the Madras Presidency was 14,158 pagodas in 1767-68. It rose to 17,567 pagodas in 1779-80.² The subsequent history of excise revenue, in this as well as the Bombay Presidency, is one of slow but steady expansion.

The income derived from this source from the whole of India, including excise duties in Calcutta, was £843,995 in 1857-58. It thus amounted to a little over 3 per cent. of the total income of the govern-

¹ In 1832, the still-head duty was six-sixteenths of a rupee, London proof.

² From the Report of the Committee of Secrecy, 1782.

ment. The revenue realised in this year was several times as large as that obtained in the early period of the Company's administration. The increase in the yield of *abkari* duties was attributed by the government partly to more active management, partly to the measures taken for better regulating the retail of opium, but chiefly to the increase of population. In reality, however, this was due, in no small measure, to the greater prevalence of the drink habit among the people.

As for the character of this branch of the public revenue, the Select Committee of 1832-33 found that the tax was collected with less expense and less speculation than many others, and that it caused little complaint. In the course of evidence given before the Lords' Committee of 1852-53, the *abkari* system was represented as a great moral evil connected with the British Government. Some witnesses asserted that it created drunkenness among a sober people. The effect of the system was also believed to injure the moral character of the troops. As the test of a good officer of the department was taken to be the amount of revenue he was able to raise, it was argued that the result was an encouragement of one of the worst vices. Further, it was pointed out that the principal evil of the arrangement was that the police, who ought to have been the guardians of order and sobriety, had an interest in a large consumption of spirits.¹

¹ Minutes of Evidence before the Lords' Committee, 1853.

There was a monopoly in tobacco in certain parts of the Madras Presidency, namely, Coimbatore, Canara, and Malabar.¹ The cultivation was permitted only in Coimbatore. The raiyats entered into engagements to deliver tobacco of approved quality into the government stores at fixed prices. The article was then sent to Malabar and Canara and delivered out to licensed dealers at enhanced rates, the excess of profit above the cost of the article constituting the revenue. These districts were easily accessible only by particular land routes or by sea, which circumstance afforded facilities for the collection of a considerable revenue from tobacco that did not exist elsewhere. The monopoly in the first instance raised the price to the consumer by 300 or 400 per cent., and, owing to abuses in management, often by as much as 700 or 800 per cent. Representations having been made to the government, the monopoly price was slightly reduced in 1816. The Select Committee of 1832 expressed the opinion that, by the operation of this system, the poorer classes were deprived of the legal use of a commodity which, in the moist climate of Malabar, was considered a necessary of life. The consequence was that smugglers often traversed the country, plundering wherever they went, and occasionally overpowering the police. Instances were on record of whole villages having been burnt by

¹ The income derived from betel-nut and tobacco farms was 26,502 pagodas in 1767-68. It gradually increased, and amounted to £42,042 in 1779-80. Fourth Report from the Committee of Secrecy, 1782.

them when the raiyats refused to sell tobacco. There was a great increase of crime and fraud. The consumption of tobacco had, among an increasing population, decreased by more than 40 per cent. since the introduction of the monopoly. The limited operation of the impost was another objection urged against it.¹

An injustice incidental to the monopoly was also noticed by the Select Committee of 1833. The land revenue in Coimbatore, derived from lands which yielded tobacco, was fixed in 1800 with reference to the unrestricted cultivation and free sale of the commodity. In 1812, however, the government prohibited its cultivation, except under license, and in quantities and prices fixed by themselves; but no alteration was made in the assessment of the land revenue.² In 1844-45, the yield of the tobacco impost was Rs. 8,26,044; in 1852, it was about six lakhs. In the latter year, the monopoly was abolished, and the tax ceased.

A stamp duty was first levied in Bengal in 1797. The object was to make good the deficiency in the public revenue caused by the abolition of the police tax. The revenue derived from this source during the first year of its imposition was only £1,975. Originally, stamps were used mainly in connection with legal proceedings.³ But their use was afterwards extended

¹ Report of the Select Committee, 1832-33.

² *Ibid.*

³ Parliamentary Paper No. 147 of 1852.

The following rates were fixed: Law papers, one rupee, eight annas, four annas, and two annas, according to the size of the paper; pleadings, four

to monetary transactions. Licenses for the manufacture or vend of spirituous liquors and intoxicating drugs were also ordered to be drawn upon stamped paper. The amount realised from the stamp duties having proved inadequate, new rates were fixed in 1800, and the use of stamped paper was further extended. Further modifications and additions were made in 1806, 1807, 1809, 1812, and 1813. In 1814, the old rules were rescinded, and increased rates were fixed. On this occasion, transactions in Calcutta, which, except pleadings and miscellaneous papers in the Sadar Adalats and the government offices, had been previously exempt, were made subject to the duty. The tax was also extended to the Ceded and Conquered Provinces. In 1824, the rules relating to their use were remodelled, and the obligation of the use of stamped paper was extended to bills of exchange, notes of hand, receipts, and documents of various other sorts.¹ Certain exemptions were men-

annas, eight annas, one rupee, or two rupees; copies of judicial papers, one rupee, eight annas, or four annas, according to the size; copies of revenue papers, the same rates as judicial papers; obligations for money, namely, bonds, promissory notes, etc., four annas, eight annas, or one rupee; customs-house rawanas, from four annas to ten rupees; sanads to kazis, twenty-five rupees. *Vide* Harington's *Analysis of the Bengal Regulations*.

¹ The European merchants of Calcutta strongly objected to the imposition of the stamp-tax in the city. But the Government of Bengal thought it unfair to exempt the inhabitants of Calcutta from "a participation in the fiscal burthens borne by the provinces." The merchants in England trading with India submitted a memorial to the Court of Directors in which they pointed out the differences in the circumstances between Calcutta and the districts. They also questioned the legality of the levy in Calcutta. Their main objections were: "an incessant and harrassing inconvenience," "an intolerable intrusion into men's private affairs," and "the enormous expense" of collecting the tax. They added: "The strongest, however, of

tioned in the Regulation.¹ The use of stamped paper gradually became more general, and the revenue derived therefrom steadily increased. One of the recommendations in favour of this impost was that, in consequence of the legal obligation requiring all transfers to be made on stamped paper, the great Indian capitalists, who made no other contribution to the State resources, were included under the operation of this tax. The department of stamps was in charge of a superintendent who was responsible to the Board of Salt, Opium and Customs. The actual sale of stamps was in the hands of licensed vendors.

In Madras, stamp duties were first imposed in 1808 on legal proceedings, the object being "to discourage the preferring of litigious complaints."² In the course of the year, another Regulation was enacted, by which stamp duties were levied on all copies of papers furnished by the Board of Revenue or Collectors, *rawanas* issued from the customs department, licenses for the manufacture or sale of spirituous liquors or drugs, deeds for the transfer of property and for payment or receipt of money.³ In 1816, they were extended to commercial dealings, such as bonds, bills of exchange and receipts, as also to deeds, leases and

all the grounds on which we would urge your Honourable Court to interpose its authority is the universal and unprecedented alarm and disquietude which it has occasioned in Calcutta."

¹ Regulation XVI of 1824.

² Madras Regulation IV of 1808.

³ Madras Regulation VIII of 1808.

mortgages. The revenue, however, derived from this source in the Presidency was stationary. An incidental benefit derived from this tax was that the use of stamped paper tended to check the forgery of deeds and documents of all kinds.

A stamp tax was established in the Bombay Presidency in 1815.¹ The city of Bombay, which was within the jurisdiction of the King's Courts was, like the cities of Calcutta and Madras, exempted.

Views of contrary sorts were held in regard to the nature of the stamp duties. The official view was that the effect of the imposition was salutary, inasmuch as stamps tended to check litigation. On the other hand, it was argued that the tax was a burden on poor litigants and impeded the course of justice.²

The revenue derived from stamps increased slowly but steadily, particularly in Bengal and the North-Western Provinces. The receipts from this source in Bengal in the decennial years were as follows :

¹ The purposes for which the tax was levied were described in the preamble to Regulation XIV. of 1815, which ran thus : " Whereas considerable delays and inconvenience have been experienced by the different courts of judicature, in collecting and bringing to account the prescribed fees on the institution of suits, and on exhibits and summonses for witnesses ; and whereas it will tend to the despatch of business to commute such fees for a duty to be levied by means of stamps ; and whereas it will be expedient to extend the same principle of improving the public revenue to bonds, deeds of conveyance, and other instruments executed by individuals, and also to certain petitions preferred to the magistrates, in order to discourage the numerous petty complaints preferred or brought before them from improper motives, an inquiry into which not only occupies a large proportion of their time, but is often the occasion of considerable expense and vexation to the parties complained against."

² *Vide* Report of the Select Committee on the Affairs of the East India Company, 1832-33, and Parliamentary Paper No. 147 of 1852.

1800-01, £35,678 ; 1810-11, £51,175 ; 1820-21, £212,690 ; 1830-31, £305,209 ; 1840-41, £218,600 ; 1850-51, £208,459. The receipts in Madras were : 1820-21, £62,243 ; 1830-31, £48,610 ; 1840-41, £49,982 ; 1850-51, £47,092. The Bombay receipts were : 1830-31, £40,318 ; 1840-41, £48,519 ; 1850-51, £61,193. The figures for the North-Western Provinces were : 1840-41, £117,516 ; 1850-51, £150,273. In 1856-57, the stamp revenue for the whole of India was £612,788. In the following year, however, it fell to £456,363. In the last year of the Company's rule, the income derived from this source amounted to over 1·6 per cent. of the total revenue of the country.

The pilgrim tax was insignificant as a source of revenue ; but it is a subject of interest, not merely from the nature of the imposition but also the controversy it gave rise to. A certain sum per head was collected from pilgrims resorting to many of the temples of India. Besides, the offerings which the devotees brought with them were subjected to a toll, being divided in certain proportions between the officiating priest and the renter of tolls. Fixed sums were also demanded of those who wished to perform the various penances, while no shops or stalls were allowed to be erected during these festivals without payment of fees. In the Madras Presidency, no pilgrim taxes were collected by any public regulation, but the offerings made by pilgrims at the great temples were, conformably to ancient usage, applied to the service of

the State, after defraying therefrom the expenses of the temples.¹

In 1804 and 1805, regulations were enacted for the protection of pilgrims visiting Jagannath from undue exactions on the part of the officers of the temple or of the government. It was provided that the same tax should be levied as had been done under the Mahratta Government. The general superintendence of the collection was vested in the Board of Revenue at Calcutta. The rates levied on different classes of pilgrims and the persons exempted from payment were specified, and the mode of administering the tax was laid down. Modifications were made in these regulations in 1806 and 1809. In 1810, regulations were enacted for the collection of duties from pilgrims resorting to the confluence of the rivers Ganges and Jumna at Allahabad. The tax previously collected was continued, and the rate was specified. The collection was placed under the direction of the Collector of Revenue at Allahabad.

As early as 1809, Harington, a high Government officer, recorded a Minute against the levy of pilgrim taxes generally, and urged their entire abolition whenever the state of the finances should permit. In 1814, the Commissioner of Cuttack strongly urged the abolition of the Jagannath pilgrim tax. The government, however, accepted the arguments in favour of the continuance of the tax. The subject was again

¹ Report of the Select Committee, 1832-33.

considered in 1827, and on this occasion also, the government considered it desirable to continue the tax. In the meantime the principle of the tax had excited much reprobation in England. In 1829, the Governor-General consulted the officers in charge of the districts in which the tax was levied. Their opinions varied, but Lord William Bentinck, while considering the principle of the tax as objectionable, thought it inexpedient to repeal it. In 1831, the Governor-General again referred to the subject, and in a Minute dated the 25th March, after briefly stating the conflicting opinions that had been entertained, observed that he deemed it the bounden duty of a government ruling over Hindu and Mahomedan communities to protect and aid them in the exercise of their harmless religious rites; and he thought that places of pilgrimage, and persons who frequented them, were entitled to the special care of the government. He, therefore, considered a tax on pilgrims as just and expedient, and he deemed it proper that the income derived from this source should be applied first to the repair of temples, and the surplus spent in constructing roads and *serais*.

In 1833, the Court of Directors, in a despatch to the Governor-General in Council, fully discussed the question, and formulated the following conclusions: First, that the interference of British functionaries in the internal management of temples, in the customs, habits and religious proceedings of their priests and

attendants, in the arrangement of their ceremonies, rights and festivals, and generally, in the conduct of their internal economy, must cease ; secondly, that the pilgrim tax should everywhere be abolished ; thirdly, that fines and offerings should no longer be considered as sources of revenue to the British Government, and they should consequently no longer be collected or received by the servants of the East India Company ; fourthly, that no servant of the Company should thereafter be engaged in the collection or management or custody of moneys in the nature of fines or offerings, under whatsoever name they might be known, or in whatever manner obtained, whether furnished in cash or kind ; fifthly, that no servant of the Company should thereafter derive any emolument resulting from the above-mentioned or any similar sources ; sixthly, that in matters relating to these temples, their worship, their festivals, their religious practices, their ceremonial observances, the Indian subjects of His Majesty should be left entirely to themselves ; seventhly, that in every case in which it would be found necessary to keep a police force specially with a view to the peace and security of the pilgrims or the worshippers, such police should thenceforward be maintained out of the general revenues of the country.¹

The Directors observed, however, that much caution and many gradations would be necessary in

¹ Parliamentary Paper No. 261 of 1839.

acting on the conclusions at which they had arrived. Further correspondence between the Governor-General in Council and the authorities in England followed. In 1839, the Governor-General in Council, in a resolution dated the 11th March, referred to the anxious desire of the Court of Directors regarding the abolition of the pilgrim tax and the discontinuance of the connection of the government with the management of all funds assigned for the support of religious institutions in India, and proposed to carry this desire into effect in Northern India at once. Accordingly, in 1840, a law was enacted by which all taxes and fees payable by pilgrims resorting to Allahabad, Gaya, and Jagannath, were abolished.

Of the less important sources of revenue the most widely known was *sair*. The term was, however, one of somewhat variable import. In the early accounts of the *chakla* or division of Jahangir-nagar in Bengal, we find a long list of taxes which were included under the denomination of *sair*. These were: taxes on cotton, betel, tobacco, gram, etc.; duties levied on the manufacture and sale of cloths; peishcush; taxes on boats; monthly duties paid by the shopkeepers and other inhabitants of the towns; bazar collections;¹ fees paid by cutters and sellers of grass, straw, etc.,

¹ Market duties were collected in Calcutta. The markets were of two descriptions. The majority of them belonged to individuals who paid a certain *jama* or assessment to the government, the amount of which being fixed either in perpetuity or for long periods. The collective assessment of such markets was Rs. 10,030 in 1790. Other bazars which were held on ground belonging to the Company were let in farm. The annual sum realised

and by fowlers and game killers ; fines ; and licenses for the sale of *bhang* and intoxicating liquors.¹ In the report of the Bengal Revenue Commissioners of 1776-78, *sair* was described as consisting of "such rents and profits as are uncertain in their amount, and annually liable to considerable variations." Under this head were often included duties collected on the "merchandise passing through the country or sold in the markets, rents of lakes or of ferries, and fees paid by brokers or weighers."² Thomas Law, Collector of Gaya, wrote in 1789 : "*Sair* implies, in its present acceptation, all duties levied by the farmer, exclusive of land revenue ; for under him, in the strange compound of tax-gatherer, landholder, etc., all the royal prerogatives and zemindar's privileges have been commixed, wherever, I believe, it originally meant only the zemindar's extra receipts, including perhaps escuage, escheats, etc."³ On the 11th June, 1790, the *sair* duties were resumed by the Government of Bengal, and it was laid down that no landholder, or other person of whatever description, should be

from such markets was Rs. 7,685. The regular collections in a bazar consisted of a rent called *te-bazari* and a *tolah* paid daily by each of the vendors for the privilege of retailing articles. There were, besides, certain irregular collections, such as those derived from certain monopolies, road duties, and *touldari* (weighman's fees). Some of these collections were abolished early, but others continued as late as 1788. Harington's *Analysis of the Bengal Regulations*, vol. iii.

¹ Fort William Consultations, 30th May, 1771. MS. Records of Bengal.

² Extract from the Report of Anderson, Croftes and Bogle in Harington's *Analysis of the Bengal Regulations*, vol. iii. According to Thomas Law, the average rate of duties did not exceed 2 per cent.

³ *A Sketch of the Late Arrangements in Bengal*, p. 152.

allowed in future to collect any tax or duty of any denomination, but that all taxes should be levied on the part of the government and collected by officers appointed for the purpose.¹ As, however, these duties were of a very vexatious nature, it was decided on the 28th July, 1790, to abolish all duties, taxes and other collections coming under the denomination of *sair*, with the exception of the government and Calcutta customs, pilgrim taxes, the *abkari* tax, collections made in the *ganjes*, bazars and *hats*, and rents paid to landholders under the denomination of *phalkar*, *bankar*, and *jalkar*. Compensations were granted on a calculation of the average net produce in past years.² Persons exacting any taxes contrary to these regulations might be prosecuted before the courts.³

Even after the abolition of the tax, the term was retained in the Finance Department. The revenue derived from saltpetre in Tirhut was considered a *sair* collection. The collections at Gaya and other places of pilgrimage were often included under this head. In Madras, the transit duties were often designated as *sair* taxes. A small amount of revenue was derived from cardamum, one of the products of

¹ No monthly or annual payments of the nature of rents were understood to be within this prohibition. The collectors, in resuming *ganjes*, *hats* and bazars were instructed to carefully attend to this distinction.

² Harington's *Analysis of the Bengal Regulations*, vol. iii.

³ In 1792, the courts were given power to decree a refund of the amount exacted and to impose a heavy fine. In 1805, they were also empowered to sentence the offender to rigorous imprisonment.

the hills of Malabar, Canara, and Coorg.¹ In fact, all inconsiderable collections from miscellaneous sources were brought under this general head. In the Bombay Presidency, originally, a great variety of *sair* was collected. The income consisted of all items of demand not forming any portion of the land revenue or the revenue derived from customs or salt.

The *sair* taxes were abolished in most of the provinces in 1844. The abolition gave great relief to the people. The revenue collected under this head during the year 1857-58 was only £268,360.

In the Presidencies of Madras and Bombay, there were three other taxes of a very vexatious nature, namely, *moturfa*, *visavadi* and *bullooteh*. The first named impost was of Mahomedan origin, and was levied on trades and professions. It embraced in the Madras Presidency all weavers, carpenters, workers in metals, and salesmen.² Originally, it was confined to certain parts of the Presidency, but it was made general in 1832. The rates, however, varied from district to district. The tax fell more heavily upon the poor than upon the wealthy; while the discretionary power under which it was collected afforded a wide field for the practice of inquisitorial visits and extortion.³ The impost was thus a very oppressive one.

¹ The collection was farmed to the highest bidder by the government.

² It seems the tax was levied whether the salesmen possessed shops, which were also taxed separately, or sold goods by the roadside. The tax extended to the most trifling articles of trade and the cheapest tools the mechanics might employ. *Vide* Petition from the Madras Association, 1852. Appendix D to the Report of the Lords' Committee, 1853.

³ *Ibid.*

The revenue derived from this source sometimes formed part of the item 'Small Farms and Licenses,' and sometimes was shown under the head 'Customs.' *Visavadi* was a tax of the same nature as *moturfa*, and its incidence was similar. It was levied in the Ceded Districts of Madras. *Bullooteh* was a tax levied upon the fees received in kind by the village artisans from the cultivators. *Moturfa* and *bullooteh* were abolished in the Bombay Presidency in 1844.¹

The question of abolishing the *moturfa* taxes levied in Madras formed the subject of discussion and correspondence between the Government of Madras, the Government of India, and the Court of Directors for a number of years. It was at first thought that the admitted evils of the system might be eradicated, to a large extent, by a modification of the rates and a change in the mode of collection. Subsequently, however, it was found that it was not practicable to find a remedy for the abuses which had existed under it. In 1853, all the members of the Madras Government, with the exception of the Governor, urged the abolition of these taxes. The Government of India took the matter into consideration in 1855, when the Marquis of Dalhousie recorded a Minute in which he expressed himself in these words : " The *moturfa* taxes, as a whole, are indefensible in principle. They are a direct tax upon humble industry. They press upon the poorest of the people. They press with unequal

¹ Taxes akin to *moturfa* had been abolished in Bengal in 1793.

pressure. They are felt sensibly ; felt as an obnoxious burden ; and they give unbounded scope to the worst of all the vexations which we see and detest, but cannot eradicate—the petty oppression of petty native officials.” The Governor-General, accordingly, came to the conclusion that the *moturfa* taxes should be abolished, “wholly and unreservedly.” But, in view of the difficult financial situation of India, he suggested that this abolition should be deferred until the extraordinary pressure was removed, so as to admit of the revenue they yielded being relinquished with safety. One of the members of the Governor-General’s Council concurred in the view expressed by Lord Dalhousie, but the three other members pronounced in favour of the immediate abolition of these taxes.

The Court of Directors considered the arguments in favour of the abolition of the *moturfa* to be irresistible. They observed : “They are confined to one Presidency, which is subject to at least as heavy a pressure of taxation as any other part of India ; and, even there, whole districts and parts of districts, as well as particular classes of people, are entirely exempt. They are most unequally distributed over the districts subject to them, four only of the twenty collectorates into which the Presidency is divided contributing upwards of half the amount. The assessment is arbitrary, irregular and undefined, resting (except as regards the *visavadi* of the Ceded Districts) on no law, but merely on ancient usage, and thus affording to

the native officers employed in their collection ample opportunities of oppression and extortion, of which it is in evidence that they largely avail themselves.”¹

In 1856, the Directors conveyed to the Government of India their authority to order the total abolition of these taxes at such time and in such manner as might seem expedient to them. But they did not cease to be levied in Madras till after assumption of the government of the country by the Crown. In 1857-58, the *moturfa* tax yielded a revenue of £107,826.

Another tax open to serious objection was the capitation tax levied in the Arakan district. It was a crude impost, the incidence of which was very heavy on poor people. Soon after the annexation of the district, foreigners carrying on business there were exempted from payment of the tax. In 1838, the Governor-General in Council wrote to the Court of Directors : “ The entire abolition of the capitation tax would be desirable, could means be devised for making up the deficiency of the revenue thus caused ; and the Board look forward with some degree of confidence to the attainment of this object, by the introduction of foreigners, through whose agency the productiveness and capabilities of the country might be called into action.”² Unfortunately, however, no steps were taken, even at a later date, towards the abolition of the capitation tax.

¹ Parliamentary Paper No. 83 of 1857 (Sess. 2).

² Despatch dated the 24th September, 1838. MS. Records of Bengal.

There were, in addition to these taxes, numerous small cesses, which varied from place to place. Under the old village system, they were collected by the headman or *patel*, part going to the government and part to the village officers. These cesses were afterwards commuted into a money payment, which caused considerable oppression and inconvenience. Some amount of "extra revenue" was also realised, particularly in the Madras Presidency, under the head 'Small Farms and Licenses.' It consisted in the annual leasing out to individuals of certain privileges, such as the right of measuring grain and other articles, the right to the sweepings of goldsmiths' workshops, the right of grazing cattle, ruby brokerage, etc. These small farms and licenses were a source of great oppression to the people.¹ A petty tax was levied on fishing nets in Arakan. The proceeds of the tax were small, and it was a source of much irritation to poor people. It was abolished in 1848.²

Among the miscellaneous taxes was a wheel tax. It was levied on hackeries, carts, buggies and chariots in Bombay. The Select Committee of 1832-33 observed that in a country where capital was so scarce and implements so rude, a tax on peasants' carts could scarcely be so low as "not to be oppressive and at the same time be worth the trouble of collection."

¹ Petition from the Madras Indians' Association, Appendix D to the Report of Lords' Committee, 1853.

² Despatch to the Court of Directors from the Government of Bengal, dated the 11th August, 1848. MS. Records of Bengal.

Some amount of income was derived in every province from undertakings of a commercial character. The Government of Bengal, for instance, worked stone quarries at Chunar, Ghazipur, and Mirzapur. In 1799, these quarries were thrown open to the public, subject to payment of certain duties.

Taxes were, on some occasions, levied for special purposes. In Bengal, a police tax was levied in 1793. It was imposed on Indian merchants, traders and shopkeepers throughout Bengal, Behar, and Orissa. The system of assessment was as described below. The collectors annually estimated the total amount of the tax required for the support of the police in each district or city, and assessed it proportionately on the several *parganas* and wards. They appointed assessors to determine the amount payable by each merchant or shopkeeper in the *pargana* or ward. An appeal against the assessment lay to the civil court. Difficulties were, however, experienced in determining what persons were liable to be taxed under this Regulation, and in fixing the general amount and the individual proportions of the tax. Fraud and exaction took place in the assessment and collection of the tax in numerous cases. It was, therefore, resolved in 1797 to abolish the tax.

One of the taxes imposed in the early period was *rahadari*, or road tax. Akin to this was a boat tax. *Gali mangan*, a duty collected from boats carrying salt, was abolished in 1771. There were ferry funds for

the repair of roads and maintenance of ferries across rivers. Complaints were sometimes heard about these funds having been applied to the general purposes of administration. *Pulbandi* and *pushtabandi* collections were made for the construction and repair of bridges and embankments. There was a *chaukidari* fund for the payment of village watchmen.

For purely local objects, various taxes were imposed. In Calcutta, there was a tax on houses. In 1813, it was resolved to levy a similar tax in some of the towns of the Lower and Upper Provinces of Bengal. But it was regarded as an innovation, and was strongly opposed. At Benares, it led to a movement of passive resistance, and the tax was withdrawn. Soon afterwards, however, it was successfully introduced in a modified form in several towns of these provinces. A resistance was offered at Bareilly, which was quelled.¹

The post office system was established in India, as in other countries, more for public convenience than as a revenue-earning department. Although it was shown as one of the sources of revenue, the post office did not yield any income till the closing years of the eighteenth century. Even after that period, the department was worked more often at a loss than at a profit. A British postal system was established for official purposes by Clive in 1765. In 1774, the post

¹ For accounts of the two movements at Benares and Bareilly, see Wilson, *History of India*, vols. i. and ii.

office was made available for private communication, and a postage was for the first time charged. The lowest rate charged for a letter was 2 annas for every hundred miles. In 1784, the postal regulations were revised. Further alterations were made from time to time. In 1837, a public post was established, and the government reserved to itself the exclusive right to convey letters for hire in the territories of the Company.¹

The growth of the department was slow but steady. As late as 1832, the government despatches, which were conveyed free, exceeded in bulk all the private communications.² At this time, the charges for the transmission of letters through the post office were as follows: In Bengal, a letter was forwarded 1,000 miles for 12 annas, and in Madras for Re. 1-1 anna. Gradually, the people took greater advantage of the facilities offered by the department. In 1854, the principle of uniform postage, without reference to distance, was adopted, and the lowest rate for a letter was fixed at half an anna. The number of chargeable letters increased very largely in consequence; but there was a substantial loss of revenue.

In 1792-93, the gross receipts of this department amounted to £24,710, while the charges were £26,654.

¹ I. G. I. Hamilton, *An Outline of Postal History and Practice*, p. 133.

² Government officers, except the Governor-General, Governors, Members of Councils, and Judges of the Supreme Courts, were not entitled to make use of the privilege of franking letters for private purposes; but there was considerable abuse of the privilege.

An idea of the growth in the post office receipts in subsequent years may be obtained from the following figures: 1800-01, £42,296; 1810-11, £63,085; 1820-21, £88,113; 1830-31, £115,444; 1840-41, £145,472; 1850-51, £195,488. The charges were: 1800-01, £36,269; 1810-11, £56,364; 1820-21, £73,568; 1830-31, £126,151; 1840-41, £159,102; 1850-51, £196,892. In 1857-58, the post office collections were £389,493, while the charges amounted to £430,981. There was thus in this year a deficit of £41,488 in the working of the department.

This review of Indian taxation must have struck the reader with wonder at the simplicity and the absence of variety of the system, considering the vast extent of country it comprised and the period of nearly a century it covered. The number of taxes which yielded any substantial revenue to the State was surprisingly small, and very little was attempted in the nature of experiment in the art of tax-gathering. A British official of large Indian experience observed: ¹ “In such a country and with such a people there is little choice left to the financier. Where the millions live almost entirely on the produce of their rice fields, with only a rag about their middle, and a few brass pots for their household goods, there is no very extensive field for the display of financial ingenuity. There are fifty different ways in which the English

¹ Kaye, *History of the Administration of the East India Company*, pp. 421, 423.

tax-gatherer may get at the poor man. But in India the approaches to the mud hut of the labourer are few ; and the tax-gatherer must advance by them or keep away altogether. He has been going a long time along the same beaten roads."

Though it must be admitted that there is a great deal of truth in these remarks, they fail to depict the whole situation. That the tax-system of the East India Company was extremely partial in its incidence can hardly be denied. While the poor cultivator or the struggling artisan was burdened with heavy taxes, the rich merchant and the well-to-do moneylender contributed little to the resources of the State. The Company's officers surely deserved credit for the abolition of a number of vexatious imposts, but their failure to remove the glaring defects of the Indian tax-system can only be traced to a lack of touch with the feelings of the people and an insufficient regard for their vital interests.

CHAPTER VI

CIVIL EXPENDITURE

IN the accounts of the earlier period of the Company's rule, the expenditure of the government was shown under three main heads, namely, Civil, Military, and Buildings and Fortifications. These heads did not include the charges of collection, which were shown as a deduction from the gross revenue. The collection expenses in these days were fairly heavy, and were of several descriptions. Looking at the accounts of Bengal for the period of 1765-66 to 1770-71, for instance, we find that certain collection charges were allowed at Murshidabad to the zemindars or farmers, which amounted to £134,406 in the first of these years. The expenditure incurred direct by the Company in this year for the realisation of the revenues amounted to £173,534, which rose to £358,089 in 1770-71. Besides, certain payments were made by way of commission on the revenues.¹

Certain other deductions were also made from the revenues, such as tributes, stipends, and allowances.

¹ The Committee of Secrecy observed in 1772: "Your Committee find that at several times since the Company became possessed of the said revenues, certain sums have been paid to the President and other servants of the Company in India, under the name of commission."

An arrangement was made on the occasion of the grant of the Diwani for payment to the Emperor of Delhi an annual sum of twenty-six lakhs of rupees. This tribute was withheld in 1773, "as it had proved a fatal drain to the wealth of Bengal, without yielding one advantage or possible service even of remote benefit in return."¹ In 1775, the Court of Directors confirmed the discontinuance, declaring that "his (the Emperor's) own conduct had rendered that measure not only expedient but also absolutely necessary."² During the administration of Macpherson, Sindhia, who was then the most powerful among the Indian princes, made a demand for this tribute on behalf of the Emperor, but it was promptly "refused by the Governor-General and Council of Bengal."³ Another item of payment was that made to the Nawab of Murshidabad. The original amount agreed upon was fifty lakhs. This was subsequently reduced to thirty-two lakhs, and when Mubarak-ud-Daula, who was a minor, ascended the *gadi* in 1770, it was reduced to sixteen lakhs.⁴ The ministers in Bengal and Behar

¹ Fifth Report of the Committee of Secrecy, 1782. When a brigade was sent by the Company in 1773 to assist the Emperor, the officer commanding was instructed to demand as a return "the renunciation of the Bengal tribute, upon the footing of thereby removing every cause of further discontent between His Majesty and them."

² Fifth Report of the Committee of Secrecy, 1782.

³ The Bengal Government went further, and obtained "an official and solemn disavowal" of the claim from the Emperor Shah Alam and Madhoji Sindhia. *Vide* Forrest, *Selections from State Papers, Cornwallis*, Introduction, p. 9.

⁴ When the Nawab attained majority, the amount of his allowance was not increased.

also received salaries from the *Diwani* treasury.¹ Lastly, a sum of £29,096 was paid annually to Lord Clive on account of the *jaigir* which had been settled upon him by the Nawab of Murshidabad.

In later periods, various stipends and allowances were granted by the Company in accordance with treaties or other engagements. Payments of this nature made under the different administrations in 1857-58 were as follows: Government of India, £68,268; Bengal, £177,756; North-Western Provinces, £44,174; Punjab, £96,727; Madras, £357,216; Bombay, £80,657; Sind, £34,801; Satara, £23,855; total, £883,454. In the same year, the allowances to village officers and enamdars, including charitable grants, were: Madras, £87,854; Bombay, £836,079; Sind, £50,043; Satara, £139,936; total, £1,113,912.

The civil expenditure of the Company during the period 1765-66 to 1770-71 varied from £214,353 to £254,908 in Bengal, from £37,913 to £50,279 in Madras, and from £87,811 to £145,536 in the Bombay Presidency. In 1771, and again in 1773, the Court of Directors instructed the Bengal Government to be watchful of every opportunity to reduce the expenditure. During the administration of Warren Hastings, the civil expenses of the Company, in spite of the

¹ The following was the scale of monthly disbursements at Murshidabad in 1772: Nawab Mubarak-ud-Dowla, Rs. 1,33,333; Munni Begum, Rs. 8,333; Raja Gurudas, Rs. 8,333; Jagat Sett, Rs. 8,750; Ateram-ud-Dowla, Rs. 7,552; Rhodein Hossain Khan, Rs. 4,687; the troops at Berhampur, Rs. 1,40,000; the payment of pargana sepoy, Rs. 35,000; charges durbar, Rs. 7,200; *dak* expenses from Murshidabad to Agra, Rs. 1,332.

efforts of the Governor-General to the contrary, showed a constant tendency to grow. In the year 1783, the charges of collection were double what they had been in 1766. When, on Hastings's departure, Macpherson became Acting Governor-General, he had a very difficult task to perform. He found the cash in the treasury too small for meeting the salaries of soldiers and civil officers. Macpherson arranged to pay the civil servants and others by means of certificates bearing interest at 8 per cent. By following a policy of retrenchment he succeeded, during his brief tenure of office, in reducing the civil charges by a substantial amount.¹ In 1786, the Directors instructed the Bengal Government to adopt a system of retrenchment and a revision of establishments. Lord Cornwallis followed, in the main, a policy of economy, and succeeded in effecting a saving in several directions.

The charges of collection continued to increase with the expansion of territories and the imposition of fresh taxes. In the last year of the Company's administration, the expenditure incurred in the

¹ Letter of Earl Cornwallis to the Rt. Hon. Henry Dundas, dated the 26th August, 1787.

"Hastings," observed the author of *British India Analysed*, "during his whole administration, was under the pressure of complicated claims from Proprietors, Directors, and Ministers, to participate in his patronage." P. 386.

The total charges of the Bengal Government on the 31st January, 1785, when Macpherson took over charge of the administration, was C. R. 29,60,627 per month. On the 30th June, 1786, shortly before Cornwallis's accession to office, they stood at C. R. 19,76,742 a month. There was thus a total monthly reduction of C. R. 9,83,885, or an annual reduction of C. R. 1,18,06,620 (about £1,200,000 sterling). See comparative account of charges of the Bengal Government quoted in *British India Analysed*, pp. 390-391.

collection of the land, *sair*, *abkari*, and *moturfa* revenues from the whole of India amounted to £1,598,050. Customs duties were collected at an expense of £149,376. The realisation of salt revenue, including the cost of salt, involved an expenditure of £605,880. The collection charges of opium revenue, including the cost of opium, came up to £945,834. A sum of £27,845 was spent in realising the stamp duties. The total charges of collection, including those incurred in the minor branches of revenue in India, and in the Eastern Settlements of Prince of Wales Island, Singapore and Malacca, amounted to £3,770,179.

The civil charges were classified under different heads at different times. Without confining ourselves to these technical divisions and subdivisions, let us discuss in some detail the main heads of civil expenditure. General Administration, including the civil and political establishments, first claims our attention. For a year or two after the acquisition of the *Diwani*, the civil establishment of the Company was small. But it was not long before the tendency towards expansion began to manifest itself. The number of offices increased, and the establishment charges grew steadily. This was due, in part, to normal causes, but, to a greater extent, to the excessive use of patronage. In a letter to the Court of Directors, the Governor-General in Council observed in 1781 : “ The civil offices of this government might be reduced to a very scanty number, were their exigency alone

to determine the list of your covenanted servants which at this time consists of no less a number than two hundred and fifty-two, many of them the sons of the first families in the kingdom of Great Britain, and every one aspiring to the rapid acquisition of lakhs, and to return to pass the prime of their lives at home, as multitudes have done before them. Neither will the revenues of this country suffice for such boundless pretensions, nor are they compatible with yours and the national interests, which may eventually suffer as certain a ruin from the effects of private competition and the claims of patronage, as from the more dreaded calamities of war, or the other ordinary causes which lead to decline of dominion.”¹

The warning, however, remained unheeded, and establishment charges continued steadily to increase. Great augmentations took place in these charges in subsequent years. In 1827, the Directors impressed upon the governments in India the need of retrenchment, and Lord William Bentinck took serious steps in the matter. In 1830, the Court of Directors again invited the attention of the Governor-General in Council to the subject and urged him to reconsider every item of increased charge, “with a view of reducing, as far as practicable, the officers, establishments, and salaries to the state in which they were in 1816-17, after allowing for increase from annexation

¹ The letter concluded with the significant remark, “We dare not pursue the subject; nor could we, without a sacrifice of our duty, withhold the brief suggestion of it from your notice.” General Letter dated the 5th May, 1781.

of territory since that period.” On this occasion, the question was considered in a spirit of real earnestness, and considerable retrenchment was effected. After a brief spell of economy, however, expenditure under the head ‘General Administration’ resumed its upward tendency, and continued to expand till the end of the period with which we deal.

The failure on the part of the Directors of the Company to check the growth of expense was due, in no small measure, to a conflict between duty and interest. It was the interest of this body, as was rightly observed by the proprietors of East India Stock, “to keep establishments in India at a maximum; their duty to reduce establishments to a minimum.”¹

As the salaries of officers formed much the greater part of the expenses shown under the head ‘General Administration,’ the subject deserves more than a mere passing notice. In the earliest days, the Company’s servants did not receive large salaries. But they engaged in private trade, each on his own account; and some of them amassed considerable riches so that when they returned to England, they became known there as “Indian Nabobs.” In order to enable the Company’s servants to supplement their emoluments by the profits of an organized commercial concern, Clive established the Society of Trade. Even before the establishment of this Society, Clive

¹ A Petition for an Enquiry into the Present State of the Offices in India, 1853.

and other members of the Select Committee, with the exception of Carnac, had formed a partnership for buying up large quantities of salt, and in nine months they had realised a profit including interest of about forty-five per cent.¹ Although the affairs of the Society of Trade were wound up under the orders of the Court of Directors, many individual officers of the Company continued to exercise a trade monopoly in certain articles.² By the Regulating Act of 1773, the Governor-General and the members of his Council were debarred from engaging in any sort of trading activity. It was also declared illegal for any Collector, Supervisor, or any other officer employed in the collection of revenues or in the administration of justice in Bengal, Behar and Orissa, or their servants, to buy or sell goods "by way of traffic or trade." The prohibition, however, did not extend to all servants of the Company, and many of them continued their commercial interests for a considerable time longer.

¹ Mill characterises this transaction as "shameful"; but Wilson seems to take a lenient view of it. *History of India*, bk. iv. ch. vii.

² In 1771, the Directors wrote: "We, therefore, shall not hesitate to declare that we have received such information as will not permit us to doubt that several of our Council, who were members of that Board, and many of our servants in the different districts of the country, appointed as supervisors of the collection of our revenues had, in manifest violation of our orders entered into a combination and unduly exercised the power and influence derived from their stations, in order to carry on a monopoly in the several articles of salt, betel-nut and tobacco; and that they had been so far lost to the principles of justice and humanity as to include rice and other grain in the same destructive monopoly; by which an artificial scarcity was made of an article so necessary to the very being of the inhabitants." Letter from the Court of Directors to Governor Hastings. In a postscript, the Directors specially requested the Governor to inquire into the conduct of the Resident of Hughli who, in 1770 and 1771, had been "particularly engaged in the monopoly of rice."

In order to compensate the officers for the loss sustained by them by the abolition of the Society of Trade, the Company granted them a commission of two and a half per cent. on the net produce of the *Diwani* revenues of Bengal.¹ This amount was divided into a hundred equal shares, and distributed among the civil and military officers. The proportions which fell to the civil officers were: the Governor, thirty-one shares, the second in Council, four and a half, the rest of the Council, not having a chiefship, each three and a half shares.² The orders fixing the amounts of the commission for Bengal were sent out in 1767. But the officers of the Company do not seem to have been satisfied with the prescribed amounts, and drew larger sums from the treasury. In 1770, the Directors expressed their indignation at this action in these words: "In addition to those appointed by orders of 20th March, 1767, we see with astonishment such an infraction of those orders, and such an abuse of our generosity as appears in the distribution by our President and Council of any part of the surplus arising from the unappropriated shares of the commission. . . . We hereby require and direct . . . forthwith to pay into our treasury in Bengal the amount of the several sums paid as a share or shares of this commission." ³ Even such stringent orders

¹ Report of the Committee of Secrecy, 1772.

² Mill, *History of India*, bk. iv. ch. vii.

³ General Letter to Bengal, dated the 23rd March, 1779, quoted in the Report of the Committee of Secrecy, 1773.

do not seem to have had their full effect, for in 1779, we find the Governor and Council of Bombay urging the distribution of the unallotted part of the commission on *Diwani* revenues among the Company's servants in that Presidency.¹ The commission amounted in Bengal in the year 1770-71 to £48,204 or nearly five lakhs of rupees.

Orders were sent out to Madras for the payment of 60,000 pagodas out of the revenues as commission to the Company's civil and military servants in the Presidency. The civil officers received the following shares: The Governor, twenty-one; the second in Council, five and a half; the rest of the Council, not having chiefships, two and a half each.² In 1770, a variation was made in the system, and instead of a specific sum, five per cent. was ordered to be taken from the net territorial revenues; the distribution was also to be made on a different basis.³ The emoluments of the principal servants of the Company were regulated on a new method in 1777, and between that date and

¹ Several other sorts of commission or fee were received by the officers of the Company in the various departments. These continued for a long time. It was, however, felt that such receipts were incompatible with the due discharge of the functions of these officers. Ultimately it was decided that these sums should go into the public treasury and an adequate compensation be paid to the officers in the shape of enhanced salaries for the loss sustained by them.

² Further Report of the Committee of Secrecy, 1782.

³ After setting apart a twenty-fourth part for the Commander-in-Chief, Sir Eyre Coote, the rest of the amount was to be divided into one hundred shares, proportioned among the civil officers as follows: Governor, twenty-one shares; the second in Council, five shares and a half; the rest of the Council, not having chiefships, each two shares and a half.

1781, no commission was paid.¹ The previous system was, however, again reverted to in the latter year, with respect to all the Company's servants except the Governor.²

Another mode by which the Company's servants in India supplemented their income was that of receiving presents. From an account of the sums which had been proved or admitted before the Committee of the House of Commons in 1772 to have been received by the officers of the Company, it appears that from the year of the Battle of Plassey to the year 1766, both inclusive, no less a sum than £5,940,498 was distributed by the princes and other inhabitants of Bengal.³ This was exclusive of the *jaigir* bestowed on Clive by Mir Jafar. The Governor and all the members of the Council shared in these transactions, and, as might well be expected, the Governor's share was the largest. The subject early engaged the attention of the Company, who resolved

¹ This regulation does not seem to have been extended to the military department.

² Fourth Report of the Committee of Secrecy, 1782.

³ In 1773, the House of Commons adopted the following resolution: "That very great sums of money and other valuable property, have been acquired in Bengal, from princes and others of that country, by persons entrusted with the military and civil powers of the State by means of such powers, which sums of money and valuable property have been appropriated to the private use of such persons." It was further resolved "that Lord Clive about the time of deposing Seraj-ud-Dowla, and the establishing of Mir Jafar, did obtain and possess himself of several sums under the denomination of private donation, which sums were of the value in English money of £234,000." The last motion, however, ran thus: "That Lord Clive did at the same time render great and meritorious services to this country." Auber, *Analysis of the Constitution of the East India Company*, pp. 511-512.

that the benefit of presents should accrue to itself. Covenants were accordingly executed by all its servants binding themselves to pay to the Company all presents and gratuities received from Indians whenever the amount exceeded four thousand rupees. This ban, however, did not deter Clive from accepting five lakhs of rupees from Nawab Najm-ud-Daula. But it must be said to his credit that Clive did not utilise this sum for his own benefit. After adding to it the three lakhs obtained from Nawab Saif-ud-Daula, he formed a fund for invalid officers and soldiers.

In 1773, Parliament declared it unlawful for the Governor-General, or any member of the Council, or any officer of the government, to accept, either directly or indirectly, from any person, "any present, gift, donation, gratuity, or reward, pecuniary or otherwise, or any promise or engagement for any present, gift, donation, gratuity, or reward."¹ This injunction, however, was for a long time honoured more in the breach than in the observance. Even the highest officers of the government were not entirely free from this guilt. Hastings was accused of receiving presents from Munni Begum, Raja Chait Singh of Benares, the Rani of Burdwan, and the Vizier of Oudh.² With regard to the last-mentioned gift,

¹ An officer found guilty of this offence was to forfeit double the value of the present; one-half of which was to go to the Company, and the other to the informer. *Vide* Regulating Act of 1773.

² By his own covenant Hastings had bound himself not to accept any presents.

Hastings pleaded that what he had received had been spent on the public service, and that the rest would be applied to the same object. The Directors approved of these intentions.¹ But this as well as other similar transactions of the Governor-General did not escape the censure of the Select Committee of Parliament, who observed : “ Your Committee are surprised that the First Officer of a Government so remote from the seat of empire should, in his own act, and for his own peculiar emolument, set such an example of disobedience to the laws of his country. When these facts become known in India, it is to be feared that the servants of the Company will be inclined to lessen their reverence and respect to those Acts of Parliament which were made to restrain them in the pursuit of wealth ; and that they will be apt to reconcile to their own minds, any deviation from strict obedience, by quoting the example of the Governor-General as a rule by which they may guide their own conduct.” ²

Many other instances of high officials participating in unallowed gains are known to the student of Indian

¹ The comment of the Select Committee on this attitude of the Court of Directors is worth quoting. They said, “ Your Committee must observe that when references are made to the Court of Directors, of cases in which the violation of public faith and of the oppression of individuals are clear beyond contradiction ; yet if the Company is to be a considerable gainer by the transaction, the interests of their constituents, the proprietors of India stock, and perhaps their own particular views to secure an interest amongst those proprietors for their future re-election, have been too apt to bear on the opinion of the Directors, where, in justice, they ought to have decided against any immediate advantage being derived to the Company.” Tenth Report of the Select Committee, 1783.

² Tenth Report of the Select Committee, 1783.

history. Barwell, a member of the Governor-General's Council, was charged with having entered into collusive leases of salt works. Sir Thomas Rumbold, Governor of Madras, was found to have remitted large sums of money during a short stay in India. White-well, Chief Secretary to the Madras Government, who twice acted as Governor of the Presidency, made large profits by disposing of places of emolument. Many officers of the Company gave loans at high rates of interest to Indian princes and others, and engaged in various transactions of a shady character. In fact, the propensity to grow rich on illicit gains permeated all the ranks of the Company's service.¹ The result was that the revenues of the government suffered, the people were subjected to oppression, and administrative efficiency was undermined.

One method of putting an end to these evils was to increase substantially the emoluments of officers. Clive was the first to suggest this policy. But his second term of office was not long enough to enable him to carry it out.² After his departure, Hastings adopted this method.

¹ "Your Committee do not find . . . any evidence to show that the servants of the Company in Bengal hold lands at present in their own names ; but they have met with circumstances which afford ground to suspect that the Company's servants sometimes share with their banyans in the profits of lands rented by them." Further Report of the Committee of Secrecy, 1773.

² When he came to India for the second time, one of the objects Clive had in view was to cleanse "the augean stable." With regard to his own conduct, he wrote to a friend in England : "I do declare by the God who made me, it is my absolute determination to refuse every present of consequence ; and that I will not return to England with one rupee more than

By the Regulating Act of 1773, the salaries of the chief officers of the government were fixed on a generous scale. The Governor-General was to draw £25,000 a year; each member of the Governor-General's Council, £10,000; the Chief Justice of the Supreme Court, £8,000; and the other Judges of the Supreme Court, £6,000 each.¹ The salary of the Governor of Madras was fixed in 1777 at £10,000, and that of each member of his Council at £4,000.² The Chiefs of the Provincial Councils received at this time Rs. 1,200 per month, and the second and third members, Rs. 800 each; while the salary of the fourth and of the fifth was only Rs. 700. After the abolition of the Provincial Councils, the Collectors received Rs. 1,200 each. Sometimes, the same officer held more posts than one, and drew the salaries attached to all of them. In Bombay, the scale of salaries was lower than in the other Presidencies.³ There was, besides,

arises from my *jaigir*. My profits from salt shall be divided among those friends who have endangered their lives and constitutions in attending on me. The congratulatory *nazars*, etc., shall be set opposite my extraordinary expenses; and if aught remains, it shall go to Poplar or some other hospital." Verelst, *View of Bengal*, p. 127.

¹ When the Supreme Court was established in Madras in 1800, the salary of the Chief Justice was fixed at £6,000 per annum, and of a Puisne Judge at £5,000. The salaries of the Judges of the Supreme Court of Bombay were fixed in 1825 at the following rates: Chief Justice, Rs. 60,000; each Puisne Judge, Rs. 50,000.

² This was in addition to the other emoluments and the commission, the total amounting to about £18,000. *Vide* Second Report of the Committee of Secrecy, 1781.

³ The salaries of covenanted servants in the Bombay Presidency, as was pointed out by the Governor, were as follows: President and Governor, £300 per annum; second in Council, £100; third, £70; fourth and fifth, £50 each; sixth and seventh, £40 each; superintendent, £250; senior

a great deal of disparity between the civil and military branches of the public service, the latter being remunerated on a much more liberal scale than the former.

The Company's 'Civil Service' was divided into five grades, namely, those of apprentice, writer, factor, merchant, and senior merchant.¹ Apprentices and writers were at the bottom of the ladder, and they rose, generally in the order of seniority, to the higher ranks.² Recruitment to the highest offices was made direct, but a member of the Civil Service might, in an exceptional case, rise to the position of a Governor of a Province, and even to that of the Governor-General. Transfers from one Presidency to another occurred frequently. Nor was there an impassable barrier between the civil and the military service. Civilians, sometimes, turned soldiers, and soldiers were often transformed into civilians. The most

merchants, £40; (when they held such posts as secretary to the Government, or mayor, or accountant, etc., they received additional salaries); junior merchants, £30; factors, £20; writers, £15. The Governor further pointed out that while the emoluments of military officers varied from £8,000 to £1,100, a senior merchant, unless he held any of the special posts, drew only £135 per annum. *Vide* Consultations, dated 8th October, 1777.

¹ Sir William Foster says that the engagement of apprentices ceased early, but that the other classes continued till 1839. *Vide John Company.*

² Seniority, however, was not adopted as a statutory rule until 1793. It was enacted in that year, "for establishing a just principle of promotion" and "preventing all undue supersessions," that all the civil servants of the said United Company in India, under the rank and degree of members of Council, should be entitled to precedence in service according to their seniority of appointment. This rule stood in the way of the appointment of meritorious persons to important positions. It was, therefore, modified to some extent in 1813, when it was enacted that civil servants might be appointed to Boards, Courts, etc., though they did not take precedence according to seniority of service.

notable example of the former mode of transformation was that of the writer, Robert Clive, who turned his back on the desk in order to achieve military renown. Recruitments to the service were made on the nomination of the Directors.¹ The method of appointment was slightly changed when Haileybury College² was established in 1805. But the system of nomination continued till 1854, and it was not until 1855 that a competitive examination was held for the first time for the admission of candidates into the Civil Service of India.

The salaries of writers and factors were very low. Even the senior and junior merchants did not receive substantial salaries unless they held special posts. Hastings found that "some of the officers were overpaid; nor were the emoluments allotted to all exactly proportioned to their importance, trust, or the ability required for discharging them."³ On the question of the inadequacy of salaries, the Governor and Council justly observed in 1773: "The

¹ Foster says: "The method of distribution varied from time to time; but from 1806 the arrangement seems to have been that the Chairman and Deputy should each make annually two nominations and the ordinary Director one, the President of the Board of Control being allowed, as a matter of courtesy, to make two nominations." *John Company*, pp. 212-213.

² Bengal civilians received further training, particularly in the oriental languages, at the Fort William College established by Lord Wellesley in 1800. A similar institution was established at Madras in 1812. In the Bombay Presidency, there was an Examination Committee, and young civilians received allowances for retaining the services of teachers of oriental languages.

³ "Men were not," added Hastings, "invariably appointed to offices to which they were suited, or best suited by their talents, experience, or integrity." Hastings, *Memoirs*.

servants of the Company are not exempted from the frailties and wants of humanity ; if allowed the liberty of trade while they possess an unbounded power (and who shall bind those who constitute the government itself ?), then trade will be a monopoly and an oppression ; if forbidden to trade, without some reparation for the loss, and some allowed means of acquiring a livelihood, and even the prospect of a competency, the feeble words of a public edict will not hold them, but they will with little scruple break through them, and obtain those ends by unallowed means ; because they will think that a decree which imposes upon them the necessity of perpetual penury, could not have been really intended for their rigid observance ; such having been in many instances the fatal practice of this service.” He proposed an allowance of Rs. 3,000 a month for each of the members of the Council of Revenue who were to be excluded from participation in trade.¹ In some instances, Hastings went too far in granting increased salaries and allowances, and was reprimanded by the Directors. In 1777, they expressed their concern at the “ profusion of expense,” and condemned the action of the majority of the Council of Bengal who had, in their opinion, “ exercised their authority in manifest disregard of the Court’s instructions.”² But Hastings thought it proper to stick to his policy. In 1781, he

¹ Extract from Fort William Consultations dated the 23rd November, 1773.

² Letter to the Court of Directors, dated the 28th November, 1777.

and his colleagues wrote to the Directors : “ Our aim has been to preclude all clandestine perquisites, to bind the zeal and fidelity of your servants, entrusted with this great charge, by the ties of gratitude and honour and to make their interest subservient to yours by proportioning the rate of their official emoluments to the success of their official labours, or in other words, to the augmentation of the public revenue and the diminution of its expenses.”¹

The efforts put forth by Hastings resulted in some improvement in the character of the Company’s servants and in the efficiency of the administration. Various abuses, however, continued, though in a somewhat mitigated form. But, as was pointed out by Mill, largeness of salaries was no guarantee of probity, for there is “ no point of saturation in cupidity.”² Ample salaries, it was observed by a Committee of Parliament, “ indeed removed the necessity, but by no means the inducements, to corruption and oppression.”³

It was Lord Cornwallis who placed the administrative machinery on a firm basis. In the matter of establishment, he laid down the following principles : First, that the offices for conducting the business of government should be as few as possible ; second, the number of writers and inferior servants in each

¹ General Letter to the Court of Directors, dated the 5th May, 1781.

² Mill, *History of India*, bk. iv. ch. ix. p. 351, footnote.

³ Ninth Report of the Select Committee, 1783.

office should be fixed with reference to the amount of business transacted in it; third, that the salary and allowances of every officer of government should be proportioned to the responsibility of the office he held, and the unavoidable expenses of the situation; fourth, that the allowances annexed to the principal and most responsible offices should be such as would enable the possessors of them, with proper economy, to return to Europe with a competency in a moderate period of service; fifth, that the salaries of the inferior servants should be equal to their subsistence; sixth, that no Company's servants should be allowed to hold offices under two different departments; seventh, that all the principal offices should be held by the Company's servants; eighth, that it should be declared and understood that no officer was to derive any advantages from his office or situation beyond those allowed and authorised; ninth, that in the application of the preceding principles, the strictest economy, compatible with them, should be adopted.¹

Cornwallis felt convinced that the payment of adequate salaries was necessary in order to prevent corruption among officers of the government and to secure their zeal and devotion. Among other proposals he suggested that about one per cent. of the actual collections of revenue, amounting to Rs. 2,44,000, be annually divided in different proportions among the officers employed in the collections, so that the

¹ Minute of Lord Wellesley, dated the 12th June, 1798.

largest sum receivable by any collector would be Rs. 27,500. In concluding one of his letters to the Court of Directors, the Governor-General in Council remarked : " We trust that we shall be found to have consulted your true interests with every compatible attention to economy, and that you will approve the allowances and commission fixed by us for your servants in the revenue department." ¹ A few days later, Cornwallis wrote to the Directors : " I am clearly of opinion that in such a country as this, where the servants who hold the principal offices are surrounded with temptations, it will ever be found that the only mode that can be successful to prevent speculation and other abuses, will be by annexing liberal allowances to those offices, and giving gentlemen a prospect of acquiring by economy a moderate fortune from the savings of their salaries." ² After this act of liberality, he issued the regulations prohibiting engagement in trade, and promised " to make an example of the first offender " he would catch.³ Many of his proposals were accepted by the Directors, but some were disallowed. Cornwallis did not rest

¹ Letter to the Court of Directors, dated 31st July, 1787. Ross, *Cornwallis Correspondence*.

² Letter from Earl Cornwallis to the Court of Directors dated 18th August, 1787. Ross, *Cornwallis Correspondence*. In another letter, he wrote : " When the allowed salaries are evidently inadequate to the above purposes, and in a country where your principal servants are surrounded with temptations, it could not easily be denied that it seemed to be expected, though not regularly sanctioned by Government, that they should look to some other sources of income." Letter dated the 2nd August, 1789.

³ Letter to Henry Dundas, dated the 4th August, 1787. Forrest, *Selections from State Papers, Lord Cornwallis*, vol. i. p. 25.

content with reforming the abuses in Bengal, but also urged the other Presidencies to take serious steps in the matter. In Madras, Lord Hobart gave an impetus to the new policy.

The measures adopted by Cornwallis to reform the Company's servants were crowned with a large measure of success.¹ But this was due not so much to the increase of emoluments as to the fact that there had been gradually springing up a race of administrators "who had not graduated in chicanery, or grown grey in fraud and corruption."² There still, however, remained a scandalous evil, "the muddy source of which was in England."³ This was the undue influence exercised by persons in authority. Against this abuse Cornwallis was helpless, and it continued for a long time. A Committee of the House of Commons reported in 1813 that a traffic had been carried on in situations in the service of the Company in India, though without the knowledge or participation of the Directors. The evil, indeed, was not wholly eradicated until the system of nomination gave place to open competition.

¹ In 1793, limits were fixed by an Act of Parliament to the salaries drawn by civil servants. Three years' residence was made necessary to enable a civil servant to hold an office of £500 per annum, six years for £1,500, nine years for £3,000, and twelve years for £4,000. In 1813, it was enacted that until a civil servant should have resided four years in India, he would not be qualified to hold a place of more than £1,500 a year; until seven years, of more than £3,000; until ten years, of £4,000.

² Kaye, *History of the Administration of the East India Company*, p. 88.

³ Forrest, *Selections from State Papers, Lord Cornwallis*. In 1809, Parliament extended the Act passed in the reign of Edward VI prohibiting the buying and selling of offices to all officers, commissions, etc., under the East India Company.

During the first quarter of the eighteenth century, the efficiency of the civil service greatly increased, and it became the best paid service in the world. The question which troubled the Parliamentary Committee of 1832-33 was not the augmentation, but the reduction, of salaries. Some of the witnesses before this Committee expressed the view that the scale of remuneration was "extravagant" and "susceptible of being materially reduced."¹ The financial exigencies of the time compelled the Civil Finance Committee to suggest some slight curtailment in the salaries of the covenanted civil servants and the larger employment of Indian agency. The matter came up again for consideration before the Parliamentary Committee of 1852-53. On this occasion, John Sullivan, a retired servant of the Company, who had held high positions in India, pointed out that the expensiveness of the administration was "due to the European element, civil and military, which swallows up so much of the revenue." By an Act of 1853, the salary of each member of the Supreme Executive Council was reduced to Rs. 80,000 per annum, and that of each member of the Legislative Council was fixed at Rs. 50,000. At this time, the Government of India directed that no salary payable to an officer of the government should exceed the latter amount. A special commission was appointed to revise the salaries of civil officers throughout

¹ *Vide* Evidence of Langton before the Select Committee, 1832.

India. The labours of this commission did not, however, result in any substantial retrenchment.

In 1855, a despatch was sent by the Court of Directors urging a general revision of the salaries of all civil appointments in the Presidencies of Bengal, Madras, and Bombay, as well as in the other provinces. The question also formed the subject of discussion in the House of Commons. The President of the Board of Control admitted in the course of one of his speeches made in Parliament that "the salaries of the Indian Civil Service were upon a scale far beyond that which existed in any other profession," but expressed the view that they ought to be highly paid, "in order that the best men might be enticed thereby to go out."¹ He did not consider it desirable to touch existing interests, but he thought it was the duty of the government to keep the idea always in view.²

So much for the covenanted service, which consisted entirely of Europeans. As the replacement of Indians by Europeans was one of the causes of the growth of expenditure, a few words may be said about the history of the change. During the first few years of the Company's rule, the work of administration was mainly conducted by means of Indian agency. Gradually, however, Indian officers were replaced by Europeans. This principle of substitution was definitely adopted by Macpherson. It became firmly established during the

¹ He did not, however, agree with the view that a reduction in salary would be followed by peculation.

² Vernon Smith's Financial Statement, 1856.

administration of Cornwallis. Kaye suggests that it was not so much a mistrust of the Indians as the "mistrust of the Europeans which deterred Cornwallis and his advisers from mixing up the two agencies in the general administration of the country."¹ The policy of Europeanisation of the service did not take its final shape until the days of Lord Wellesley. This soldier-administrator observed: "The duty and policy of the government in India, therefore, require that the system of confiding the immediate exercise of every branch and department of the government to Europeans educated in its own service, and subject to its own direct control, should be diffused as widely as possible, as well with a view to the stability of our own resources as to the happiness and welfare of our own subjects."² This policy had a very depressing effect on the children of the soil. But it continued to guide the administration till the days of Lord William Bentinck. The result was not merely that the highest offices were conferred on Europeans, but that none but the lowest were bestowed on Indians.³ This experiment, as was rightly observed, "resulted in disappointment, inasmuch as it was impossible to carry it out, otherwise than very imperfectly, except at an enormous expense."

¹ Kaye, *History of the Administration of the East India Company*, pp. 420-421.

² *Despatches*, quoted in Appendix C to the Minutes of Evidence taken before the Select Committee, 1852-53.

³ Kaye, *History of the Administration of the East India Company*, p. 420.

The question of economy soon suggested another mode. Indian officers might be obtained on lower terms, and in familiarity with the languages of the country and insight into the character of the people, they would enjoy a great advantage.¹ The problem with which Lord William Bentinck was faced was "to unite economy and despatch with efficiency and integrity," and the solution was found in the more extensive employment of Indians. This fresh experiment was tried, and it was admitted on all hands to have worked well.

In 1833, an important step was taken in the direction of removing the bar to the appointment of the children of the soil. Section 87 of the Charter Act of this year was worded thus : And be it enacted that no native of the said territories, nor any native-born subject of His Majesty resident therein, shall, by reason only of his religion, place of birth, descent, colour, or any of them, be disabled from holding any place, office, or employment under the said Company.

The Court of Directors, in explaining the provisions of the Act, observed : "The meaning of the enactment we take to be that there shall be no governing caste in British India ; that whatever other tests of qualification may be adopted, distinctions of race or religion shall not be of the number ; and that no

¹ Holt Mackenzie urged the employment of Indians on financial grounds. He was asked : "The result of your opinion is that the finances of India would be much improved by the employment of natives ?" His reply was : "I think so ; I think the natives are quite equal to Europeans in intellect." Minutes of Evidence before the Select Committee, 1832-33.

subject of the King, whether of Indian or British or mixed descent, shall be excluded either from the posts already conferred on our uncovenanted servants in India, or from the covenanted service itself, provided he be otherwise eligible.”¹

This provision remained a dead letter so far as the highest offices were concerned. The causes which rendered the enactment largely inoperative were many and varied ; but one of the most important was that the patronage of India remained in the hands of the executive body of the East India Company. In proportion as Indians were admitted to office in India, the initiatory patronage of the Directors tended to diminish.²

In 1857-58, the charges of the civil and political establishments, including contingent charges, stood as follows : General Government of India, £1,331,640 ; Bengal, £423,079 ; North-Western Provinces, £1,120,795 ; Punjab, £221,567 ; Madras, £447,347 ; Bombay, £380,760 ; Sind, £31,942 ; Satara, £5,259 ; Oudh, £11,206 ; Nagpur, £30,286 ; Pegu and Martaban, £11,274 ; Tenasserim, £4,731 ; total, £4,019,886.

A portion of the expenditure shown under this head, amounting to about a million and a half pounds sterling, was of a temporary character, having been incurred in connection with the Mutiny. The pay

¹ Despatch from the Court of Directors to the Government of India, dated the 10th December, 1834.

² A Petition for an Enquiry into the Present State of the Offices in India, 1853.

and allowances of troops and commissariat charges at Aden, the charges on account of the Indian Navy employed on the Euphrates, and the expenses of the provincial battalions were shown under this head. It also included pensions and charitable allowances.

The civil and political charges included the expenses of the ecclesiastical, medical, and education departments. Each of these sub-heads deserves some notice. The total ecclesiastical expenditure in India amounted to £128,853. This department was maintained for the benefit of the European residents and the European civil and military servants of the Company. As the bulk of the people of India did not profess Christianity, the expenditure incurred under this sub-head was in many quarters considered objectionable.

The charges of the medical establishments and hospitals were originally incurred in the interests of the Company's servants. In course of time, however, the general public began to avail themselves of the assistance afforded by these institutions. But the number of medical men was small, and hospitals were fewer. Even as late as 1857-58, sanitation and medical relief were not considered subjects of sufficient importance to engage the attention of a separate department. In this year, the expenses of the different administrations under the sub-head 'Medical' were as follows: Government of India, £5,884; Bengal, £40,315; North-Western Provinces, £39,902; Punjab,

£7,191 ; Madras, £18,311 ; Bombay, £23,170 ; Sind, £4,610 ; Satara, £779 ; Oudh, £324 ; Nagpur, £2,137 ; Tenasserim, £647 ; total, £143,270.

The expenditure incurred by the Company for the purpose of education was exceedingly small. In its earlier days the Company was too much preoccupied with other things to be able to devote any attention to the instruction of the people. The only educational institutions founded in India by the government during the first half-century of British rule were the Calcutta Madrasa, started in 1781, and the Benares Sanskrit College, established in 1792. Wilberforce proposed to add two clauses to the Charter Act of 1793, to provide for the education of Indians ; but owing to the opposition of the Court of Proprietors, they were withdrawn.¹ The same feeling of opposition to the education of Indians continued for twenty years after that period. In 1813, on the occasion of the renewal of the Company's Charter, Parliament directed that, out of the revenues of India, a sum of £10,000 per annum should be set apart for the revival and improvement of literature and the promotion of a knowledge of the sciences among the people of India. This grant, however, remained unappropriated till 1823. In that year, the Government of Bengal appointed a Committee of Public Instruction, and placed at their disposal the arrears of Parlia-

¹ The opposition was based on the fear that, if education was imparted to the people, India would be lost. *Vide* J. C. Marshman's evidence before the Lords' Committee, 1852-53.

mentary grant from the year 1821. The Governor-General in Council also resolved that this expenditure was to be in addition to such assignments as had been made previously to the passing of the Act of 1813, and exclusive of any endowments which might be made by individuals for educational purposes.¹ In the same year, the Hindu College, which had been started in 1816 by the efforts of the citizens of Calcutta, nobly aided by David Hare, Sir Edward Hyde East, and Harington,² was located in the same buildings as the Sanskrit College established in 1821.

The Committee of Public Instruction was subsequently merged in a Council of Education, which advised the government in educational matters and submitted from time to time suggestions for the instruction of the people. In 1827, the Court of Directors, in a letter to the Governor-General in Council, suggested that the aim of the educational efforts of the Company in India was "not to produce a higher degree of intellectual fitness, but to raise the moral character of those who partake of the advantages, and also to supply you with servants to whose probity you may with increased confidence commit offices of trust."³

¹ *Vide* Minutes of Evidence taken before the Lords' Committee of 1852-53, Appendix C.

² Sir Edward Hyde East was then the Chief Justice of the Supreme Court of Calcutta. Harington was a member of the Supreme Council. The European members afterwards withdrew from the Committee of the Hindu College.

³ Public Letter to Bengal, dated the 5th September, 1827.

There was about this time a great deal of discussion between the Orientalists and the Occidentalists regarding the system of education.¹ The question was finally decided by a Resolution of the Governor-General in Council in 1835, which directed that "all the funds which these reforms will leave at the disposal of the Committee be henceforth employed in imparting to the native population a knowledge of English literature and science, through the medium of the English language."²

In 1834, the educational expenditure in each of the provinces of India stood thus : Bengal, Rs. 2,81,019 ; North-Western Provinces, Rs. 7,937 ; Madras, Rs. 47,609 ; Bombay, Rs. 79,850.

During the next ten years, the progress of education was very slow. A few colleges were established in Bengal and the North-Western Provinces. In Madras, a committee was appointed in 1836 which recommended the establishment of four elementary schools in different parts of the Presidency, with a normal class attached to the best of them. In 1839, the Governor of Madras placed before the Council a plan for the establishment of a collegiate institution in the city of Madras. A Board of Education was formed,

¹ In 1830, the Court of Directors expressed their sentiments on the merits of this question in these words : " We think it highly advisable to enable and encourage a large number of natives to acquire a thorough knowledge of English, being convinced that the high tone and better spirit of European literature can produce their full effect only on those who become familiar with them in the original language."

² Minutes of Evidence taken before the Lords' Committee, 1852-53, Appendix C.

which was entrusted with the duty of supervising the work of the institutions and of distributing grants-in-aid. In Bombay, the Elphinstone Institution was founded, and the Education Society, which had been started in 1825, showed laudable enterprise in the spread of education. In 1840, a Board of Education was established in the Presidency.

The total amount of money spent in Bengal proper in the year 1843 was a little over 4 lakhs of rupees, of which about three-fourths (including the Parliamentary grant) was contributed by the government, and the remainder was derived from private donations and tuition fees. In the North-Western Provinces, the total expenditure in the same year amounted to Rs. 1,67,784, of which two-thirds came from the government, and one-third from separate funds. The educational expenditure of Bombay was a lakh and a half, of which four-fifths was contributed by the government. In Madras, the total sum spent by the government under the head 'Education' was Rs. 1,05,563. A very large proportion of this amount, however, was devoted to the maintenance of orphan asylums for the sons and daughters of European military men, and only a small sum was available for the promotion of education among Indians. But this expenditure was supplemented by voluntary private donations and contributions from Christian Missionary Societies.

In 1844, an important step was taken by the govern-

ment. With the object of stimulating a general desire for education, a resolution was adopted, promising to students of distinguished merit preference of selection for employment under the government. This resolution gave an undoubted impetus to the spread of higher education. In regard to the success of the educational system, Drinkwater Bethune, Legislative Member of the Governor-General's Council, observed in the Educational Report for 1849: "I have no hesitation in saying that every succeeding examination which I witness increases my admiration of the acuteness and talent, literary and scientific, which are evinced by the educated young men of this country."

During the following decade, there was some further increase in educational expenditure. The amounts spent in the different provinces in 1852-53 were as follows: Bengal, Rs. 5,84,987; North-Western Provinces, Rs. 2,00,149; Madras, Rs. 45,556; Bombay, Rs. 1,71,439; total, India, Rs. 10,02,131. At this time, besides a considerable number of schools and a few colleges which imparted special branches of knowledge, such as medicine and civil engineering, there were several government colleges for the teaching of the arts and sciences. Bengal possessed no less than seven institutions of the higher type, namely, the Presidency College, the Sanskrit College, and the Madrassa in Calcutta, and the Berhampur, Dacca, Hughli and Krishnagar Colleges in the interior of the

province. In the North-Western Provinces, government colleges existed at Agra, Delhi, Benares, and Bareilly. The only government institution in the Madras Presidency, at which education of an advanced character was imparted, was a high school in the city, miscalled "the University." In the Bombay Presidency, at the Elphinstone Institution and the College at Poona, instruction was imparted by English professors of high qualifications.¹ For the education of girls, a school had been founded by Drinkwater Bethune in Calcutta.

The necessity of introducing a sound system of education into India was strongly urged before the Parliamentary Committee of 1852-53. Charles Cameron, formerly a member of the Governor-General's Council and President of the Council of Education in Bengal, presented a petition to Parliament asking for the establishment of universities. For years past, Indian gentlemen interested in education had also been appealing to the authorities in England for a larger measure of assistance. At last, in 1854, an important Despatch was sent by the Court of Directors of the East India Company to the Governor-General in Council on the subject.² In this Despatch, the Directors pointed out that the

¹ Educational Despatch dated the 7th April, 1857, from the India House to the Governor-General.

² It was believed that Sir Charles Wood, then President of the Board of Control, was the real author of the Despatch, and his name has since been associated in the public mind with it. During the discussion of the Financial Statement in the House of Commons in 1854, Sir James Perry said: "If

encouragement of education among the people of India was important, not only because it would help to train up officers for the administration, but also because it was calculated to advance the material interests of the people. The good work that had already been done by the Boards and Councils of Education was appreciated. But the Directors thought that it was advisable to place the superintendence and direction of education upon a more systematic footing, and for that purpose they decided to create an Education Department in each province, with an expert officer at the head. Another important decision was to establish universities in India, whose functions would be to encourage a regular and liberal course of instruction by conferring degrees and marks of honour. These universities were to affiliate colleges which would receive financial assistance from the government. The Directors also urged the establishment of schools in each district whose object would be not to train a few youths but to provide opportunities for education for a larger class of persons. The importance of the education of girls was also emphasised. Lastly, encouragement was to be given to schools of the indigenous type for imparting elementary knowledge to the great mass of the people.

the tenure of the Rt. Hon. gentleman's office was to be characterised by the measure of education he had sketched, he would be bold to say that the name of Sir Charles Wood would be linked by the grateful natives of India with two or three English names they loved to honour."

As for the financial provision, the Directors pointed out that the difficulties would be insuperable if education was to be entirely supported by the government. They thought that the most effectual method of providing for the wants of India in this respect would be to combine with government agency the assistance of private individuals. It was, therefore, decided to adopt in India the system of grants-in-aid which had proved such a success in England.

Immediate steps were taken in India to give effect to the orders of the Court of Directors. The first of these measures was the appointment of a Director of Public Instruction and an inspecting staff in each of the provinces. The cost of this controlling establishment was nearly five and a half lakhs of rupees a year. The Hindu College of Calcutta was transformed into the Presidency College in 1855. In 1857, three Acts were passed establishing universities at Calcutta, Bombay, and Madras.

Provision was thus made for the higher education of a limited number of persons. But no adequate steps were taken to provide primary education for the bulk of the people. Nor did the education of women receive sufficient encouragement from the government.

In 1856-57, the expenditure incurred for the purpose of education in the different provinces stood as follows: Bengal, £94,822; Madras, £34,222; Bombay,

£35,273 ; North-Western Provinces, £33,060 ; Punjab, £14,487 ; total, £211,864.¹

There was an increase of charge in the two years 1855-56 and 1856-57, amounting to about eleven lakhs and a half. This was considered by the President of the Board of Control "a serious addition in so short a time to the expenditure of a borrowing state," especially in view of the fact that the charge was "one of a rapidly progressive character." He also expressed the opinion that the expected good had not been derived from the system which had been established, while the increase of charge appeared "to be in progress of realisation."²

¹ The expenditure was distributed under the following heads :

Salaries to government officers, <i>e.g.</i>	Bengal.	Madras.	Bombay.	N.-W. Provinces.	Punjab.
Directors of Public Instruction,					
Inspectors -	£8,280	£8,220	£6,407	£5,760	£2,880
Government educational institutions :					
General - - -	53,817	11,168	18,813		
Medical - - -	14,143	4,349	2,352		
Law Department -	1,281	305	645	—	10,910
Civil Engineering -	1,800	84	1,483	3,525	—
Normal Schools -	1,744	4,555	457	1,095	—
Grants-in-aid of private educational efforts - -	5,083	1,345	<i>Nil</i>	865	697
Establishments, contingent and other charges - -	8,174	4,196	5,098	—	—

² Letter to the Chairman and Deputy Chairman of the East India Company, dated the 28th April, 1858. He said further : "It ought to be made quite clear to the people that our government does not desire to assist in the education of a single child not brought to the school with the full, voluntary, unsolicited consent of its parents ; and that whoever offers a subscription

The educational expenditure of the government in the closing years of the Company's administration fell considerably short of 1 per cent. of the total net revenue of the country, while in only two of the provinces, namely, the North-Western Provinces and the Punjab, was the expenditure slightly above 1 per cent. of the provincial revenues.¹ It should be remembered, however, that although the contribution of the State was small, some progress was actually made in the field of education. But this was due very largely to the independent efforts of the people, aided by the laudable enterprise of various missionary societies.

We come now to judicial and police expenditure. For some time after the acquisition of the *Diwani*, the administration of justice in Bengal was left in the hands of the Nawab's officers and the zemindars. But in 1772, in accordance with a plan formed by the Committee of Circuit, civil courts were established in the interior of the country under the superintendence of the Collectors of revenue. A superior civil court, under the designation of the *Sadar Diwani Adalat*,

to a school is at liberty to withdraw it at any time, and will not be the worse thought of for doing so." He added: "If we desire to diffuse education, let us endeavour to give it to the higher classes first."

¹ The net revenues in the provinces of Bengal, Madras, Bombay, N.-W. Provinces and the Punjab in the year 1856-57 were respectively: £11,202,641; £4,718,066; £4,600,478; £2,724,141; £1,057,928. Therefore, the percentage of educational expenditure to revenues was .841, .725, .766, 1.213, 1.369 respectively. The total net revenue was £24,303,254. The percentage of educational expenditure to the total revenue was thus slightly below .9.

There was a slight increase in the expenditure under the sub-head 'Education' in 1857-58, the total amounting to £231,479.

was established at Calcutta for revising the proceedings of the inferior courts. The custom of levying *charuth* (one-fourth of the value of the property recovered) or any other sort of fee or commission, was abolished. In the following year, a Supreme Court was established under the provisions of the Regulating Act of 1773.¹

In 1774, an alteration in the constitution of the *mufassal* civil courts was necessitated by the recall of the Collectors. The administration of civil justice was now vested in the Provincial (or Divisional) Councils. In 1780, separate courts of civil justice were established in the six divisions, which were independent of the Provincial Councils. Another change of system took place in 1787, when the Collectors were appointed civil judges.

The administration of civil justice was placed on a firm footing by Lord Cornwallis. He decided to vest the collection of revenue and the administration of justice in separate officers.² In 1793, twenty-three courts of civil justice were established in the districts of Bengal, Behar, and Orissa, and three city courts at Murshidabad, Patna, and Dacca.³ Each district or

¹ Students of Indian history are familiar with the conflict which arose between the Supreme Court and the Company's courts. Hastings attempted to solve the difficulty by appointing Sir Elijah Impey, Chief Justice of the Supreme Court, as the Superintendent of the *Sadar Diwani Adalat*. But this was disallowed by the Directors.

² Lord Cornwallis was not much impressed by the argument that "people long accustomed to a despotic authority should look only to one master."

³ The union and separation of these offices in Bengal at different periods may be noticed here. From 1780 to 1787, the offices of judge and collector

city court was presided over by an English judge, a covenanted civil servant of the Company. The judges were assisted by Indian *pandits* and *maulavis* in the interpretation of the Hindu and the Mahomedan law. As it was found that inconvenience and expense were occasioned to parties when they were compelled to repair to the headquarters of the district for small suits, a regulation was enacted providing for a class of Indian judges. They were denominated 'commissioners' generally, and were to exercise their functions in three different characters, namely, as *amins* or referees, as *salises* or arbitrators, and as *munsifs* or judges of original jurisdiction. Four Provincial (or Divisional) Courts of Appeal were established at Calcutta, Patna, Murshidabad, and Dacca.¹ The *Sadar Diwani Adalat* was recognised as the highest civil court in the province.²

Lord Cornwallis's reforms led to considerable increase in public expenditure. The number of district judges, however, was small. Consequently, the

were held by different persons. For six years, the several duties of collector, judge, and magistrate were discharged by the same person. In 1793, the office of collector was separated from that of judge and magistrate. In 1821, the offices of collector and magistrate were again united, and they continued to be held by the same officer, until they were again separated in most of the districts on the recommendation of the Police Committee which reported in 1838. These offices were finally reunited in 1857. In the other provinces, the collectorship and the magistracy were, during the whole period, united in the hands of one officer. In 1856, Sir Barnes Peacock expressed the opinion that the only separation which was really desirable was that of the executive and the judicial, the one being a check upon the other. *Vide* Papers relating to the system of police in the Bengal Presidency, 1857.

¹ The *Mal Adalats* or revenue courts were abolished at this time.

² Regulation III. of 1793.

system led to excessive delays, and the administration of justice was greatly hampered. In 1812, the Select Committee observed: "An augmentation of the number of European judges, adequate to the purpose required, would be attended with the augmentation of charge, which the state of the finances is not calculated to bear."¹ In order to meet the difficulty, therefore, the powers of the subordinate judicial officers, both Indian and European, were increased from time to time. Various modifications were introduced into the system of civil justice. The Panchayet system was considered impracticable in Bengal, as the old institutions had been destroyed by the revenue settlements that had been made in the province in 1789. In 1831, important alterations were made, and the powers of the *Munsifs* and *Sadar Amins* were considerably extended.

The system of judicial administration adopted in Bengal by Lord Cornwallis was introduced into the Madras Presidency in 1802. A Sadar Court and four Provincial Courts of Appeal were established. By a regulation passed in 1816, heads of villages were appointed *Munsifs*, with power to try suits of small value. As the village system was in a better state of

¹ Fifth Report, 1812. Mill's criticism of this view is very severe. He says: "Here is said to be a government, which raises upon the people a revenue so vast, that, by avowed intention, it is literally all that they can bear; that is oppressive to the highest pitch which oppression can reach without desolating the country; and all this revenue is squandered away, till not a sufficiency remains to hire judges for this distribution of justice." *History of India*, bk. vi., ch. vi.

preservation in this Presidency, this method worked well. In the Bombay Presidency also, civil courts were established on the model of the Bengal system.¹ The Panchayet courts were not as successful in this province as they were expected to be.

In order to meet the expenses of the judicial establishment, fees were levied on suits. Originally, no fees were payable at the first institution of a suit, and the amounts which were paid during the progress of the suit were moderate and limited. But it was held by government officers that this encouraged litigation. It was, therefore, thought advisable in 1795 to establish fees at the institution of suits, as well as during their progress, and on the presentation of petitions. Regulation XXXVIII of 1795 provided that, at the time of institution of every original suit or appeal, a fee should be paid at the following rates : In the court of the *Munsif* or Indian commissioner, 1 anna per rupee, and in the courts of the European judges, on the first 50 rupees, $6\frac{1}{4}$ per cent., the rate gradually diminishing as the value increased. Various changes were subsequently made in the mode of levying fees.

Let us now consider the administration of criminal justice. At the commencement of British influence in India, the Nawab's courts were in a decadent state, except at the capital and a few important places. In the interior of the province, the zemindars held their own courts. For a few years after the acquisition of

¹ Cowell, *Courts and Legislative Authorities in India*.

the *Diwani*, the administration of criminal justice was left in the hands of the officers of the Nawab. The zemindars continued to exercise criminal jurisdiction in petty cases. The *Kazi-ul-kazzat*, or head *kazi*, was the chief judge in criminal matters, and there were subordinate *kazis* in the different districts.

In 1772, criminal courts, denominated *Faujdari Adalats*, were established in the interior of the Presidency. Collectors of revenue, who were covenanted servants of the Company, were directed to superintend the proceedings of these courts. The office of head *kazi* was abolished,¹ and a superior criminal court was established under the designation of the *Nizamat Adalat*. In 1775, the entire control over the department of criminal justice was committed to the *Nairb Nazim*. He appointed Indian officers, called *Faujders*, to preside over the criminal courts. In 1781, all *Faujders*, except the one at Hughli, were recalled. The *Faujdari* courts, however, were continued, subject, as before, to the control of the *Nairb Nazim*; and the English judges of the *Diwani Adalats* were appointed magistrates, with power to apprehend criminals and to commit them to the nearest *Faujdari* court for trial. The administration of criminal justice under this system proved very unsatisfactory. A considerable time often elapsed before the accused persons were brought to trial, and their suffering often

¹ The subordinate *kazis*, however, continued. They assisted the judges of the criminal courts, and performed certain other duties, such as the registration of deeds, Mahomedan marriages, etc.

exceeded the degree of their criminality. In 1787, the magistrates were empowered to try petty criminal cases. But this measure did not meet the demands of the situation. Numerous murders, robberies, and other serious crimes were daily committed throughout the province. Cornwallis found that the whole system of administration of criminal justice was "faulty in the extreme."¹ Therefore, in 1790, Courts of Circuit were established under the superintendence of English judges, assisted by Indians versed in the Mahomedan law. In 1793, the zilla and city judges were empowered to act as magistrates of the districts and cities in which they were stationed.

Each of the Provincial Courts of Appeal was empowered to perform the duties of a criminal court.² Various alterations were made in subsequent years. The system, however, for a long time, remained defective in many respects. The Provincial Courts of Appeal and Circuit, partly from the large extent of territory placed under their authority, and partly from their having to discharge the duties of both civil and criminal tribunals, failed to render prompt justice. In 1829, the magistracy and the police, as well as the Collectors and other revenue officers, were placed under the superintendence and control of Com-

¹ In one of his letters to the Court of Directors, Cornwallis wrote: "Your possessions in this country cannot be said to be well governed, nor the lives and property of your subjects to be secure, until the shocking abuses and the wretched administration of justice in the Faujdari department can be corrected." Ross, *Cornwallis Correspondence*.

² Regulation IX of 1793.

missioners of Revenue and Circuit. Regulation VII of 1831 empowered the district judges to hold criminal sessions. In the Bombay and Madras Presidencies, criminal courts were established on plans similar to those adopted in Bengal, with such modifications as were found necessary in view of the special circumstances of these provinces.

With regard to the expenses of the judicial establishment, it appears from the records that, at the commencement of the second quarter of the nineteenth century, the European judges of the different tribunals in Bengal received substantial salaries.¹ But the Indian gentlemen who performed judicial functions were remunerated on a very inadequate scale. The *Maulavis* attached to the zilla courts received Rs. 1,200 per annum and the *Pandits*, Rs. 720. By virtue of their offices they were *Sadar Amins*, and in that capacity they received further sums of Rs. 1,200 per annum each. When the *Sadar Amin* was not a *Maulavi* or a *Pandit*, his salary was about Rs. 1,680 per annum. There were at this time 162 *Sadar Amins*. *Munsifs* were compensated for their trouble by the full value of the stamped paper on which the

¹ In 1829, the salaries were as follows: *Sadar Diwani* and *Nizamut Adalats*,—Chief Justice, Rs. 68,000 per annum; Judges of the six Provincial Courts at Calcutta, Dacca, Murshidabad, Patna, Benares and Bareilly, from Rs. 35,000 to Rs. 48,000; twenty Commissioners of Revenue and Circuit, Rs. 40,000 to Rs. 45,000; Forty-eight zilla and city court Judges, Rs. 28,000 to Rs. 30,000; Magistrates, Rs. 18,000 to Rs. 24,000; Joint Magistrates, Rs. 6,000 to Rs. 12,000; Registrars, Rs. 7,200 to Rs. 8,400. *Vide* Appendix No. 5 to the Report of the Select Committee, 1832-33. When two offices were combined, higher salaries were sometimes paid. Additional allowances were, in some cases, granted.

plaints were written.¹ The salaries of European judicial officers in Madras were similar to those in Bengal.² The *Sadar Amins* were remunerated in this province by fees at the rate of one anna per rupee on suits instituted before them. But as law officers they received Rs. 1,680 to Rs. 2,520. There were ninety-five *Munsifs* who received Rs. 840 each per annum, together with fees at the same rate as the *Sadar Amins*. The salaries of *Tahsildars* varied from Rs. 840 to Rs. 2,100 a year. The scale of salaries of European judges and magistrates in the Bombay Presidency was somewhat lower than in Bengal and Madras.³ The rates of remuneration of Indian judicial officers in Bombay did not differ materially from those which prevailed in the two other Presidencies.

Lord William Bentinck introduced some reforms into the system, and appointed a larger number of

¹ If the sum claimed did not exceed Rs. 16, the value of the stamped paper was Re. 1; if it was above Rs. 16, but not exceeding Rs. 32, Rs. 2; if above Rs. 32, and not exceeding Rs. 64, Rs. 4; if above Rs. 64, and not exceeding Rs. 150, Rs. 8. The local jurisdictions of *Munsifs* generally corresponded with those of *thanas*. They were appointed by the zilla and city judges, subject to the approval of the provincial courts.

² In Madras, the Judges of the *Sadar* and *Faujdari Adalat* received Rs. 49,000 each a year; the Judges of the four provincial courts, Rs. 35,000 to Rs. 42,000; 13 Judges of district courts, Rs. 28,000; Assistant Judges, Rs. 16,800; Registrars, Rs. 6,300; Assistant and Joint Judges of the Seven Auxiliary Courts, Rs. 16,800; Indian Judge, Rs. 6,000; 18 Collectors and Magistrates, Rs. 30,450; 13 Sub-Collectors, or Assistants to Magistrates, Rs. 14,000; 166 *Tahsildars* from Rs. 840 to Rs. 2,100.

³ In the Bombay Presidency, the judicial establishment and salaries in 1829 were as follows: *Sadar Diwani* and *Faujdari Adalat*,—3 Judges, from Rs. 35,000 to Rs. 40,000; Provincial Court of Appeal,—2 Judges, Rs. 30,000; Assistant Judges, Rs. 7,200 to Rs. 12,600; 9 Judges of districts, Rs. 24,000 to Rs. 33,600; Magistrates, Rs. 5,600 to Rs. 6,000; 24 Principal Collectors and Magistrates, Rs. 16,800; 10 Assistant Collectors, Rs. 1,200; 79 *Koomashdars*, Rs. 600 to Rs. 3,600; 4 *Sadar Amins* paid by fees, in addition

Indians to judicial positions. The Parliamentary Select Committee of 1832-33 took evidence on the subject of judicial administration in India, and the witnesses who appeared before this body described the various defects of the system. It was stated that the judicial establishment was hopelessly inadequate, that no special qualifications were insisted on in the judicial line, that many of the European judicial officers did not possess the amount of skill needed for the proper performance of their duties, and that the Indian judicial officers were extremely ill-paid. As for the remedy, Indianisation of the service was suggested by many of the witnesses. One of the most capable and experienced officers in the Company's service, Holt Mackenzie, said in the course of his evidence: "My notion is, that for an average-sized district twelve native judges would suffice, and that with a gradation from 100 rupees to 500 rupees a month, those twelve, all being suitably qualified, might be obtained for about the sum that is now paid to one English District Judge, that is to say, 30,000 rupees a year."¹ "The great object," he added, "is

to the salary of Rs. 1,200 received by those who were also law officers. There were 79 *Munsifs* and district commissioners, who were remunerated by fees. The average receipts of the *Sadar Amins*, *Munsifs* and district commissioners varied very much. For instance, they were Rs. 191 a month for each in the first half of the year 1827, and Rs. 322 in the first half of 1828.

¹ Holt Mackenzie was asked: "In employing native agency you are not obliged to employ a greater number to perform the same operations that Englishmen do?" He answered: "No, I should apprehend the reverse; for instance, I think native judges are able to get through much more business than English judges." He said further, "I think, with a comparatively moderate salary, the government might get native judges who would well

really to prevent an increase of expense, everybody acknowledging that at present in Bengal the administration of civil justice is extremely bad, and quite inadequate to the expectations of the people. The European courts are overloaded with arrears, the delay in them is excessive ; and, to say nothing of other evils, the large arrears of appeal cases hold out a temptation to litigious appellants that seriously clogs the whole course of justice.”

A considerable change took place in the next twenty years, during which period several new offices of trust and emolument were thrown open to Indians, and those previously allotted to them were materially advanced both in remuneration and responsibility. Till 1833, there were only two grades of Indian judicial officers, namely *Sadar Amins* and *Munsifs*. The office of Deputy Collector was created in 1837, and that of Deputy Magistrate in 1843. In 1827, no Indian employed in the judicial or revenue department in Bengal received more than Rs. 250 per month or £300 per annum. In 1852, there were 2,813 persons who received salaries varying from £24 to £1,560. These salaries, though considerably higher than those paid in the earlier days, were not in fair proportion to the importance of the offices to which they were attached. In 1853, the chief offices filled

discharge their duty, and that it is, in fact, very much a question of emolument and station. Those from whom we require important and responsible functions must be paid liberally, and they must be treated as gentlemen.” Minutes of Evidence before the Select Committee of 1832-33.

by-Indians were those of Principal *Sadar Amin*, *Sadar Amin*, *Munsif*, Deputy Magistrate, and Deputy Collector.¹ But the higher services continued to consist of Europeans.² Compared with the other branches of administration, however, the judicial branch contained a fairly large Indian element.³

The judicial and police charges of the Company were shown in the accounts under one sub-head. The police organisation which existed in the villages at the time of the establishment of British rule in India was a part and parcel of the society. The policemen were the

¹ The Principal *Sadar Amins* in Bengal were divided into two classes, and received salaries of £720 and £480 per annum. In Madras and Bombay, they received £600. The *Sadar Amins* received £300 in Bengal, £240 in Madras, and £420 in Bombay. The salaries of *Munsifs* ranged from £100 to £200 per annum, and of Deputy Magistrates and Deputy Collectors, from £360 to £600 per annum. Appendix C to the Minutes of Evidence taken before the Select Committee, 1852-53.

² Their salaries at this time were much higher than those paid to Indian officers. In 1853, the number and salaries of these officers were :

26 Judges	-	-	-	-	-	-	Rs. 7,80,000
29 Collectors	-	-	-	-	-	-	Rs. 6,67,000
26 Magistrates	-	-	-	-	-	-	Rs. 2,98,000
8 Joint Magistrates and Deputy Collectors	-	-	-	-	-	-	Rs. 1,20,000
11 Joint Magistrates and Deputy Collectors	-	-	-	-	-	-	Rs. 92,400

100

Rs. 19,57,400

³ Number of Indians employed in the various departments of the Civil Administration of India in the year 1857 :

Salaries per annum.	General.	Political.	Revenue and Judicial.	Total.
£360 or less	191	71	2,328	2,590
£361 to £480	4	—	99	103
£481 to £600	1	5	73	79
£601 to £720	2	3	38	43
£721 to £840	2	2	16	20
£841 to £960	3	1	2	6
£961 or above	1	—	4	5
	204	82	2,560	2,846

House of Lords Paper, No. 70, Sess. II. of 1858.

servants of the villagers, and they were remunerated by either grants of land, or contributions from villagers, or both. The zemindars had their own police establishments. The village watchmen also were under the partial control of the zemindars, from whom in some cases they received small allowances. The zemindars were held answerable for robberies committed within their zemindaries. The Nawab's police was confined to Murshidabad and a few other towns, whence they exercised a general, and very imperfect, sort of supervision.

For some time, the old system was left undisturbed. It was, however, soon found that the control of the police by the zemindars was unsatisfactory and inconvenient. When the farming system was introduced, the zemindars were relieved of their responsibility for maintaining the peace. The experiment was thereupon tried of large independent police jurisdictions being vested in *faujdars*, or Indian magistrates, the revenue officers being given a power of general oversight. But it completely failed. The method next tried was that of vesting police authority in the zemindars,¹ acting under the control of European magistrates. This experiment also did not succeed. The need was now felt of a system which would arm the Company's officers with sufficient powers to pre-

¹ In 1781, it was decided that, by special permission of the Governor-General and Council, certain zemindars were to be invested with police jurisdiction; and that the Judge of the *Diwani Adalat* and the zemindar were both, jointly and severally, "to possess a concurrent jurisdiction for the apprehension of all dacoits, robbers, thieves, or other disturbers of the peace." *Vide* Report of the Select Committee, 1782, Appendix No. 6.

vent crimes. It was also necessary to render the power of the Company's government "active and omnipresent."¹

For these purposes, in 1792 and 1793, the *thanadari* system was introduced in Bengal. The main features of this system were as follows: Each district was divided into a number of police jurisdictions, called *thanas*, generally of the extent of 20 miles square. Each of these *thanas* was superintended by a *daroga*, and his establishment consisted of 10 to 15 *barkandazes*. The *darogas* and *barkandazes* were servants of the government, and were under the direct control of the magistrate of the district. The entire village police was placed under the control of the *darogas*.² The zemindars were deprived of all police authority. The *thana* establishment was wholly insufficient for affording protection to the community or preventing crime by its own vigilance. For the performance of these duties, reliance had to be placed mainly upon the village police. The new system was, undoubtedly, a sudden and violent innovation. But such an innovation was necessary for lending support to the Company's administration; and it proved a complete success from that point of view. It possessed, however, many serious defects.

¹ Letter from the Bengal Government, dated the 22nd February, 1827.

² Regulation XXII of 1793.

The *darogas* received a reward of ten rupees for every convicted dacoit who might have been apprehended within their respective jurisdictions, and 10 per cent. on the value of the recovered property on conviction of the robbers.

Until the establishment of the *thanadari* system, the Company incurred very little financial responsibility for the maintenance of the police. The expense involved in the new system was very heavy. But, in the opinion of the officers of the government, it could not be avoided. In order to provide for this expenditure, a police tax was imposed by Regulation XXIII of 1793. But it gave rise to much difficulty. The tax was, therefore, withdrawn in 1797, and replaced by a stamp duty.

The police regulations underwent considerable change and development in subsequent years. In 1805, the zemindari police was abolished in the jungle-mahals. Regulation XII of 1807 provided for the appointment of respectable inhabitants of the districts as *amins* of police, whose authority was to be concurrent with that of police *darogas*, for the preservation of the peace and the apprehension of offenders. In 1808, Superintendents of Police were appointed for the three divisions of Calcutta, Dacca, and Murshidabad. The various steps taken towards the formation of an efficient police force were not, however, attended with much success. In 1812, the Committee of the House of Commons observed: "It is now unequivocally acknowledged on the proceedings of government that the existing system of police has entirely failed in its object."¹ In 1813, Regulation XIII of Bengal was enacted, which provided for the establishment of

¹ Fifth Report, 1812.

separate and more efficient police forces in the cities of Dacca, Patna, and Murshidabad, the expenses of which were to be defrayed by the residents for whose benefit and protection they were to be established. Each of the *chaukidars* or policemen was to receive not less than three rupees a month. Their number was to be fixed by the Magistrate, but was not to exceed the proportion of two to every fifth shop or dwelling-house. The pay of the *chaukidars* was to be collected from the inhabitants, and was not to exceed the average rate of two annas a month for each shop or dwelling-house. The merchants or householders of each *mahalla* being called together by the Magistrate, were to be asked to select their representatives, who would perform the duties of appointing and paying the *chaukidars* and collecting the charges. The provisions of this Regulation were afterwards extended to other cities, and were to some extent modified by subsequent regulations.

The rules which had been enacted from time to time respecting the organisation of the police were consolidated and amended in 1817. The duties of the police were considerably extended, and police officers were required to offer assistance in the Salt and Opium Department and in other spheres of governmental activity.

In 1807, the police system in Benares was assimilated to that of Bengal. In the Madras Presidency, the old police organisation was retained for a much

longer time than in Bengal. Village watchmen continued to work under the control of the headmen of the villages. Gradually, however, some of the features of the Bengal organisation were introduced into this Presidency. In 1816, a general system was organised throughout the province. The *Tahsildar* was made the head of the police. Village headmen, aided by the village watchers, discharged the duties of policemen. Zemindars might also be invested with police authority. The Magistrates and their assistants were generally charged with the maintenance of peace. At about the same time, the police system was reorganised in the Bombay Presidency on the same plan as that adopted in Madras. The performance of police duties, which had previously been entrusted to *faujdars* and *thanadars*, was now placed in the hands of village headmen, aided by watchers. In 1827, the duties of the police were directed to be conducted by the judge and collector of each district, the district police officer, and the village headmen.¹

One of the chief causes of the inefficiency and corruption of the police was to be found in the absurdly inadequate rates of remuneration fixed for the different ranks of the force. A *daroga*, whose jurisdiction extended, on an average, over an area of 309 square miles and comprised 72,314 souls, was paid only 25 rupees a month. The clerk and the head constable received

¹ Cowell, *Courts and Legislative Authorities in India*, pp. 139, 140.

salaries ranging from 4 to 8 rupees a month, while the salary of a *barkandaz* or constable did not exceed 4 rupees. Lord Auckland established three grades for the *daroga*, namely, at Rs. 50, Rs. 75, and Rs. 100. But, unfortunately, he omitted to raise the salaries of the inferior officers and policemen.

Another drawback of the system was the deterioration of the rural police. The *chaukidars* were inadequately and uncertainly remunerated, and were kept almost in a state of permanent starvation. They were, as a rule, appointed by the zemindars, who, however, refused to bear the cost of their support. The lands which their forefathers had enjoyed were, in most cases, resumed. Sometimes, they received grain and cloth from the villagers; but this mode of payment was, at the best, a precarious one. The consequence was that most of the *chaukidars* turned thieves or robbers.

Committees were appointed on several occasions to consider the question of increasing the efficiency of the police. But very little was done in practice. Although the special departments of the police, such as the *thagi*, proved eminently successful, the general police continued as inefficient and corrupt as ever. The policemen were regarded rather as instruments of oppression than as guardians of the public peace. The saying became common,—“dacoity is bad enough, but the subsequent police enquiry is worse.”¹ In

¹ Minute of the Lieutenant-Governor of Bengal, dated the 30th April, 1856.

1856, Sir Frederick Halliday, then Lieutenant-Governor of Bengal, wrote an able Minute in which he fully discussed the various aspects of the problem. He made five main suggestions, namely, first, that the character and position of the village *chaukidars* should be improved and a law enacted to ensure the due payment of their wages; secondly, that adequate salaries and fair prospects of advancement should be offered to the stipendiary police; thirdly, that more experienced officers should be appointed as district magistrates; fourthly, that the number of deputy or uncovenanted magistrates should be increased; and lastly, that the courts of criminal justice should be improved. In conclusion, Halliday urged the introduction of a system of popular education, without which, he thought, "all laws and all systems must be comparatively useless."¹ The question was considered by the Governor-General in Council and the Court of Directors. But no practical steps were taken till after the termination of the Company's rule.

In 1857-58, the judicial and police charges of the different administrations stood as follows: General Government of India, including the expenses incurred in Nagpur, Pegu and Martaban, Tenasserim, and

¹ The words used by him on this occasion have not lost their force even after the lapse of nearly three quarters of a century. Halliday wrote further: "Money laid out on this great engine of improvement will, in the end, prove better spent and more enduringly profitable than on the working of the most excellent system of administration by the most efficient and costly establishments."

Oudh, £259,914 ; Bengal, £708,250 ; North-Western Provinces, £315,628 ; Punjab, £457,370 ; Madras, £440,324 ; Bombay, including Sind and Satara, £453,647 ; total, £2,635,133.

In the early days of the Company's rule, the only kind of public works which received serious attention was the construction and maintenance of fortifications and buildings, used either for military purposes or as residences of civil officers. The village roads were constructed out of ferry and other local funds, and bridges and embankments were maintained, either by means of tolls, or out of special levies known as *pulbandi* and *pushtabandi*.

Under the Permanent Settlement of Lord Cornwallis, the zemindars of Bengal were laid under an obligation to keep in repair the roads and river embankments within their respective estates. But in the interior of the country, the old roads were becoming useless and impassable, and the need of new roads was keenly felt. No irrigation works were taken in hand by the Company in those days, and their neglect in this respect resulted in the deterioration of some of the irrigation works which had existed in pre-British days.¹

¹ The following account of old irrigation works is interesting: " Captain Beatson informs us that the Company's *jaigir* (in the Northern Circars) owes its fertility to 1,480 tanks, or reservoirs of water, some of considerable extent. Mr. Dalrymple, who had been one of the Committee of Circuit appointed by the Directors, informed us that the tanks were in a worse state in 1776 than in 1764, though the annual taxes collected for their repair were very considerable ; the renters, it is said, have usually appropriated to themselves the share of the produce collected for this purpose, the repairs were ineffectual, and generally done at the *extraordinary* expense of the inhabitants."

Such works had been constructed, sometimes by the public authorities and sometimes by private individuals. Corporate activity had now ceased, and there were few persons of sufficient wealth who could finance such works or even keep them in repair.

It was thus early found necessary to establish a *Maramat* department of the government for keeping the roads and irrigation works in a state of repair. In 1791, certain rules were adopted regarding embankments, which were embodied in a regulation in 1793. The object of this enactment was twofold ; first, to provide for the annual repair of the larger embankments at the expense of the government, and secondly, to encourage proprietors, farmers and cultivators of land to improve the embankments, reservoirs and water-courses in their own estates, and to construct new works, wherever possible, as a safeguard against famines. This regulation vested the superintendence of works of irrigation in the Collectors, subject to the control of the Board of Revenue, and declared that, when necessary, engineers and other experts might be employed. It also provided that advances of money might be made by the government to proprietors, farmers, or raiyats for works of irrigation, embankments, etc.¹ In 1806, it was enacted that the superintendence of the public embankments and irrigation works in each district should be vested in a

¹ The amount advanced was to be repaid with interest at 12 per cent. Vide Regulation XXXIII. of 1793.

Committee, consisting of the Magistrate, the Collector, the commercial resident, and such other public officers residing there as the Governor-General in Council might appoint for that purpose. These Committees were enjoined to prepare annual estimates and submit them to the government for sanction. With regard to zemindars' embankments, it was declared that no interference should take place so long as the works were kept in proper repair, but that in the event of failure on their part, the repairs were to be executed by the government officers and charged to the zemindars.¹

Various rules were framed from time to time for the erection and repair of public buildings. The Marquess of Hastings gave an impulse to the construction and maintenance of public works. Roads, bridges, and canals were constructed or repaired, and communications were improved. The Jumna Canal near Delhi, which had fallen into decay, was opened up, and two other canals were restored. In 1823, the Governor-General in Council decided to devote a portion of the expected surplus revenue to works of public improvement, in view of the necessity of such work and of the improbability of their being undertaken by private enterprise. This, however, was disallowed by the Court of Directors. A few years later, it was found that large expenditure was incurred on buildings, both civil and

¹ The Embankment Committees were abolished by Regulation XI. of 1829, and it was left to the Governor-General in Council to make such provision for the discharge of their duties as he might see fit to appoint.

military.¹ In 1830, the Directors wrote to the governments in India condemning this extravagance and requesting them to take steps to ensure an economical disbursement of public money.

A systematic policy of constructing and maintaining works of public utility was commenced after the passing of the Charter Act of 1833. Between this date and 1853, a large number of works was undertaken, continued, or completed. Among these were three trunk roads which ran from Calcutta to Peshawar via Delhi and Lahore, from Calcutta to Bombay, and from Bombay to Agra. The total cost of construction of these roads was £2,166,676, and the annual cost of repairs was £90,000. Several other works of minor extent, but of great utility, were either completed or commenced.²

A separate provision was made for the improvement of cross-roads, and funds were specially set apart for the purpose, which consisted of (i) the net profits arising from the tolls on public ferries, and (ii) the one per cent. fund paid by the landholders on the amount of the government revenue in the North-Western Provinces. The proceeds were carried to a general fund, and redistributed among local committees, with a view to local improvements.

The construction of public works received a great impetus during the period of Sir Charles Wood's tenure

¹ The expenditure on new buildings amounted to Rs. 14,62,908 in 1823-24, Rs. 18,82,868 in 1824-25, and Rs. 24,64,485 in 1825-26.

² *Vide* Minutes of Evidence taken before the Lords' Committee, 1852-53.

of office as President of the Board of Control. This policy was carried out by Lord Dalhousie as Governor-General. In 1851, an Act was passed, empowering the several Provincial Governments to levy tolls on roads and bridges thereafter made or repaired at the expense of the government, the net proceeds being appropriated to the construction of roads and bridges in the province from which they were drawn. This was a measure calculated materially to improve the means of internal communication.

Large irrigation works were also undertaken during this period. The Eastern and Western Jumna Canals, which were 425 and 155 miles long, had been completed before Dalhousie's time. The main stream of the Ganges Canal was opened in 1854. The total amount spent on the construction of this Canal was £1,400,000.¹ Considerable progress was made with the construction of the Ravi Canal in the Punjab. The Multan canals were improved and enlarged. In Madras, some extensive schemes of canal irrigation, such as the Cauvery, Godavery, and Krishna systems, were taken in hand, on a total estimated outlay of £291,120.² Most of these irrigation schemes not only proved highly remunerative, but afforded a much-needed protection against famines.

¹ The total length of the canal with all its branches was expected to extend to about 900 miles, and it was estimated to irrigate an area of 1,470,000 acres.

² *Vide* Minutes of Evidence taken before the Lords' Committee, 1852-53, and Minute of Lord Dalhousie, 1856.

A beginning was also made with several projects of railway construction. In 1849, a contract was made for the construction of a line from Calcutta to the North-Western Provinces, and an expenditure of £1,000,000 was sanctioned for the first section, namely, from Howrah to Raniganj. A further expenditure of £1,000,000 was afterwards sanctioned for the extension of the line to Rajmahal. The East India Company guaranteed interest on the capital at the rate of 5 per cent. for the first million, and $4\frac{1}{2}$ per cent. for the second.¹ The line from Calcutta to Raniganj was opened in 1855. An outlay of £500,000 was sanctioned for a railway in the Madras Presidency, the government guaranteeing interest at $4\frac{1}{2}$ per cent. In Bombay, engagements were made with two railway companies, namely, the Great Indian Peninsula and the Bombay, Baroda and Central India, for the construction of several lines at a guaranteed rate of interest. Before the termination of the Company's administration, the government had incurred liability for payment of interest on a guaranteed capital outlay of nearly forty million pounds sterling on railways.

A system of telegraphic communication was commenced, and before 1858, several trunk lines, comprising over 4,000 miles, connecting Calcutta, Madras, Bombay, Agra, and Lahore, had been laid down and placed in working order. The total cost was about 21 lakhs of rupees.

¹ Land was, in addition, granted by the government.

Nor was communication by water entirely neglected. Before 1848, the Ganges had been covered with a flotilla of steam-vessels for the conveyance of passengers and goods. Regular steamer services were, after the annexation of the Punjab and Pegu, placed on the Indus and the Irrawady. Arrangements were also made for establishing a flotilla on the Brahmaputra. The construction of a harbour at Karachi was an important undertaking. Several other ports were improved.

Adequate steps were taken by Lord Dalhousie to reform the Department of Public Works. A Commission was appointed to inquire into its organisation. In accordance with the recommendations of this Commission, the control of public works was withdrawn from the Military Board, and the Provincial Governments were vested with supervision over the department under certain prescribed limitations. Another improvement was the introduction of a system of public works budgets.¹ Under the orders of the Court of Directors, the Provincial Governments were instructed to prepare every year statements showing the public works which they proposed to commence or carry on during the year. These budgets, reviewed and decided upon by the Government of India, were to be annually submitted to the Court of Directors.

¹ Minute of Lord Dalhousie, dated the 28th February, 1856. These statements, as was pointed out by the Governor-General, insensibly acquired the designation of 'budgets.' A system of general budgets for the whole administration was not introduced till six years later.

The objects of the new system were "to impart method to the prosecution of public works," "to regulate the expense," and "to control the general management of progress of public works throughout the country."¹ In 1854, an important despatch was sent by the Court of Directors to the Governor-General in Council, urging the application of a portion of the cash balances to the execution of such works of unusual magnitude and importance as might appear calculated to promote, in the largest degree, the development of the resources of the country and the improvement of the condition of the people, but the cost of which could not be defrayed out of the annual revenue. In the opinion of the Directors, a due regard for the welfare of the community demanded a large and liberal expenditure on works of this description, such as the restoration and construction of works of irrigation, the formation of new lines of road and water communication, and the improvement of harbours.

For the execution of public works, the services of engineers belonging to the Army Department had been so far requisitioned. This had been found very unsatisfactory, and the necessity was now felt for establishing institutions where engineers might be trained for the Public Works Department. An Engineering College was started at Roorkee, in the North-Western Provinces, during the Lieutenant-Governorship of

¹ Minute of Lord Dalhousie, 1856.

Thomason. Similar institutions were afterwards established in Calcutta and Madras.

In 1857-58, the expenditure of the various administrations under the head 'Buildings, Roads, and other Public Works' was distributed as follows: Territories and departments under the immediate control of the Government of India, £400,848; Bengal, £504,532; North-Western Provinces, £512,469; Punjab, £318,798; Madras, £523,289; Bombay, including Sind and Satara, £400,549; total, £2,660,485. The cost of military buildings and fortifications amounted to £392,783. The grand total of expenditure under the head was thus £3,053,268.

The Mint, though it was regarded as one of the spending departments, was, very often, a source of income. During the first half-century of the Company's rule, however, the Mints were worked at a loss. In 1816-17, there was a substantial excess of receipts over charges. Between this date and 1832-33, there were only three years of surplus and as many as thirteen years of deficiency. But from 1833-34 till the end of the Company's administration, substantial profits were realised in almost all the years. In 1857-58, the Mint receipts amounted to £192,595 and the charges to £63,155, the net profit being £129,440.

A large item of expenditure was the interest paid on debt. In the early years, the interest charges were small. But as the debts, both in India and in England, continually augmented, the amounts paid on account

of interest also tended to increase. But another factor worked in the opposite direction. The rate of interest, as has already been stated, was reduced on several occasions. The result was that interest charges did not grow in the same proportion as the amount of debt. The following averages will give the reader an idea of the expenditure under this head at different periods: 1800-01 to 1809-10, £2,034,921; 1810-11 to 1819-20, £1,924,335; 1820-21 to 1829-30, £2,016,145; 1830-31 to 1839-40, £1,761,875; 1840-41 to 1849-50, £2,078,657; 1850-51 to 1857-58, £2,402,484. The interest charges in 1857-58 amounted to £2,196,672 in India and £159,166 in England, the total being £2,355,838.

The average of interest charges incurred during the last ten years of the Company's administration exceeded the average of such charges paid in the first ten years of the eighteenth century by only £382,152. It should be borne in mind that the revenue of India increased simultaneously with the increase of debt. In fact, the increase of the former was in a higher ratio than the increase of the latter. In consequence, although, absolutely considered, the pressure of interest charges tended to increase, yet, considered relatively to the gross revenue, it tended gradually to diminish. The percentage of such relative pressure was 13·63 in 1800-01, 10·62 in 1810-11, 10·16 in 1820-21, 10·51 in 1830-31, 7·98 in 1840-41, 9·37 in 1850-51, and 7·43 in 1857-58.

We have so far confined our attention to the expenses incurred in India. But a considerable portion of India's revenue was annually spent in Great Britain. In the second chapter of this work, we noticed the transfer of wealth from India to England by way of investment. This ceased in 1814; but, meanwhile, other expenses had come into existence. The establishments at the India House and the Board of Control were charged on the revenues of India. In the earlier years, these 'Home Charges' were comparatively small in amount. But with the progressive Europeanisation of the higher ranks of all the services in India, the gradual increase in the number of European troops sent to this country, and the frequent additions made to the Bond Debt held in England, these charges tended continually to grow. During the fifteen years 1814-15 to 1828-29, the annual average of the territorial payments in England amounted to £1,693,472. Considerable evidence was adduced before the Parliamentary Committee of 1832-33 as to the possibility of effecting material reductions in these charges, or transferring them to India. But no steps were actually taken in either of these directions.

It was estimated, at the time of the renewal of the Charter in 1833, that the 'Home Charges' would amount in the succeeding period to about a million and three-quarter pounds sterling. But, as a matter of fact, these charges were well over two millions

annually during the next few years, and they showed an almost constant tendency to increase. In 1847-48, the amount of these charges rose to £3,109,895. The three following years saw a slight decrease, but from 1852-53, the 'Home Charges' began again to increase. In the last two years of the Company's administration, these charges stood thus : 1856-57, £3,719,130 ; 1857-58, £6,193,641.

Let us now consider in some detail the various items which constituted the 'Home Charges.' The first sub-head in the accounts is 'Dividends to Proprietors of East India Stock.' The Charter Act of 1833 provided, among other things, that a yearly dividend of $10\frac{1}{2}$ per cent. should be payable out of the revenues of India on the capital stock of the Company then existing. The sum paid in 1857-58 on this account was £626,860. The next sub-head is 'Interest on Home Bond Debt.' Considerable sums of money, as we have already noticed, were borrowed by the East India Company in England. The interest paid on this debt amounted to £159,166 in the year under review. Payments to the British Government made under the new postal arrangements came up to £42,711. The cost of transport of troops from England to India was £842,778. This sum was much larger in 1857-58 than in previous years, owing to the fact that a large number of British troops was brought to India to cope with the Sepoy Mutiny. The furlough and retired pay to military and marine officers of the Indian establishments,

including off-reckonings, amounted to £747,728. Another payment of a similar nature was that made to the Paymaster-General in England for the claims accrued against the Company in respect of Queen's troops serving in India, the amount being £1,175,000. There was, in addition, the payment in part on account of the retiring pay, pensions, etc., of Her Majesty's troops serving or having served in India. India's share was £60,000 in the year under notice. India was also required to pay a sum of £3,469 on account of the retired pay and pensions of persons on the St. Helena establishment, although it is not clear what benefit she derived in return. The absentee allowances and passage money of persons on the civil establishments of India amounted to £50,249. Another charge connected with civil establishments was in respect of annuities of the Madras Civil Fund of 1818, which amounted to £7,727. The Indian Treasury was charged with a portion of the cost of the Queen's mission to the Court of Persia, amounting to £12,000 in the year under review.

A large amount of expenditure was incurred under the head 'Charges general.' It was an important head and was divided into a number of sub-heads. The first comprised the expenses of the Board of Control, including the salaries of the President and of the officers, the contingent expenses of the Board, and superannuation allowances. This Board was first appointed under Pitt's India Act of 1784. But no

provision for the payment of its members was made until 1793. In that year, it was enacted that a sum of £16,000 should be granted out of Indian revenues, of which £5,000 was to be paid as salaries to the Commissioners, and £11,000 was to be spent in remunerating the officers and meeting other charges. In 1811, the sum provided for the expenses of the Board of Control was raised to £22,000. In 1813, the amount was increased to £26,000, and provision was made for superannuating the officers of the Board. An Act passed in 1825 authorised the King to grant pensions to the President and the Secretary.¹ From 1793 to 1834, the officers, being members of either of the two Houses of Parliament, who received salaries in consequence of their connexion with the Board, were the President, two other Commissioners, and the Chief Secretary. After 1834, such officers were the President and two Parliamentary Secretaries.² The expenditure under this sub-head was £28,211 in 1857-58.

The next important sub-head consisted of the

¹ *Vide* Evidence of T. Waterfield, recorded by the Select Committee of 1852-53. The establishment consisted in 1852 of six senior clerks, six assistant clerks, and six junior clerks.

² In 1793, the salary of the President was £2,000 a year, and that of the two other Commissioners and the Chief Secretary, £1,500 each. In 1811, the salary of the President was raised to £5,000, and in 1818, that of the Secretary to £1,800. In 1831, the President's salary was reduced to £3,500, and that of the two other Commissioners to £1,200 each; while the Secretary's salary was fixed at £1,500. In 1834, when the two puisne paid Commissioners were abolished, and another Parliamentary Secretary appointed, the salaries were fixed at £3,500 for the President and £1,500 for each of the two Parliamentary Secretaries. In 1853, the President's salary was fixed at £5,000. *Vide Foster, John Company.*

salaries of the Court of Directors, which amounted to £9,969. The contingent expenditure of the Court of Directors and Proprietors, consisting of repairs to the East India House, taxes, stationery, stamps, etc., entertainments and refreshments, and subscriptions to charity, was £28,151, while the salaries and allowances of the secretaries and officers of the Court of Directors came up to £89,786. The annuities and pensions amounted to £188,181.

A sum of £9,652 was spent on Haileybury College, and of £4,588 on the Military Seminary at Addiscombe. The recruiting charges came up to £120,118, the Mutiny being responsible for a large increase under this sub-head. The passage and outfit allowances of the civil, military, and ecclesiastical officers accounted for an expenditure of £187,782.¹

Another important item of charge was that of pensions, which, together with Lord Clive's fund, amounted to £67,218. The Company's servants were granted superannuation allowances, the amounts of which were fixed according to age and length of service. Small compassionate allowances were also

¹ This expenditure was subdivided as follows: Civil, £8,121; Military, £178,126; marine, £535; judicial, £1,000. The passage and outfit allowances of the principal officers were fixed by Parliament as follows: Governor-General of Fort-William in Bengal, £5,000; each of the Members of Council in Bengal, £1,200; Commander-in-Chief in India, £2,500; Chief Justice of the Supreme Court at Fort William, £1,500; each of the Puisne Judges in Bengal, £1,000; Governor of Fort St. George, £3,000; each of the Members of Council in Madras, £2,000; Chief Justice of the Supreme Court in Madras, £1,200; each of the Puisne Judges, £1,000; Governor of Bombay, £2,500; each of the Members of Council in Bombay, £1,000; the Commander-in-Chief, £1,500; each of the Archdeacons, £500. Slight modifications were made in 1833.

sometimes paid to the poor relatives of deceased officers. Besides, pensions and gratuities were voted by the Company to persons who had rendered conspicuous services. Several Governors-General, *e.g.*, the Marquis of Cornwallis, Warren Hastings, the Marquis of Wellesley, Sir John Macpherson, Sir George Barlow, the Marquis of Hastings, Lord Hardinge, and the Marquis of Dalhousie, were among the fortunate recipients of such pensions or gratuities.¹

The other expenses were: Law charges, £7,604; maintenance of European lunatics from India, £6,723; Burma donation *bhata*, £9,719; the Postmaster-General of England, on account of the postage of the Company's despatches to and from India, £5,265; compensation granted to Captain Boxer for the use of his improvements in missiles of war, £3,000; expenses in connexion with the Indian collection from Exhibitions, £1,885; gratuities to families of military officers and others killed in action, £14,693; gratuities to Professors and servants of Haileybury College, £5,425; miscellaneous, comprising the cost of war medals, maps, donations to the Bengal Civil Fund and widows' funds, etc., £25,687. The expenditure under the sub-head 'Charges General' amounted to £813,647.

¹ The following amounts were received as pensions or gratuities: Clive, the income from his *jaagir*; Marquis of Cornwallis, £5,000 a year; Warren Hastings, £4,000 a year (besides his law expenses amounting to £71,080 and a loan of £50,000); Marquis of Wellesley, £5,000 per annum; Sir John Macpherson, £1,000 per annum; Sir George Barlow, £1,500 a year; Marquis of Hastings, a lump sum of £60,000; Lord Hardinge, £5,000 a year; Marquis of Dalhousie, £5,000 per annum.

The total charges incurred in England in 1857-58 out of the revenues of India amounted to £4,492,470. These charges exceeded those of the previous year by about three quarters of a million pounds sterling.

The 'Home Charges' have sometimes been described as a drain on the resources of India. Some writers have gone so far as to characterise this expenditure as a tribute paid by India to England.¹ It is not our purpose to discuss whether either of these descriptions is appropriate or not. But a brief reference may be made to the practical consequences of this transfer of resources. Sir John Shore was among the early administrators who pointed out the disadvantages of the system. Sir Charles Trevelyan, who afterwards rose to the position of Governor of Madras and of Finance Member to the Government of India, observed: "£5,000,000 sterling a year² is subtracted from the wealth of India and added to the wealth of England, which is the most serious injury which India suffers from its connexion with England."

In view of this fact, some eminent persons suggested that the entire burden of the 'Home Charges' should not be thrown on India, but that a portion of it should

¹ "Tribute," wrote Sir George Wingate in 1859, "is a payment made by one country to another in consequence of subjection. It is the transference of a portion of the annual revenue of the subject-country to the ruling country without any material equivalent being given in exchange. Its effect is, of course, to impoverish the one country and to enrich the other; and wherever these conditions are fulfilled, a tribute exists, whether the annual payment be so styled or not." *Our Financial Relations with India*, ch. i.

² Trevelyan evidently had in mind the total expenditure incurred in England, including the value of stores purchased for India.

be borne by Britain. Sir George Wingate, one of the most capable men who had participated in the administration of the country, observed in 1859, with a feeling of regret, that Britain's fair share represented by the degree in which British interests had decided Indian policy, had not been duly paid. He urged a more equitable adjustment of India's financial relations with England, and remarked: "It would have been true wisdom, then, to provide for the future payment of such of the 'Home Charges' of the Indian Government as really form the tribute out of the Imperial Exchequer. These charges would probably be found to be the dividends on East India stock, interest on Home Debt, the salaries of officers and establishments and cost of buildings connected with the Home Department of the Indian Government, furlough and retired pay to members of the Indian Military and Civil services when at home, charges of all descriptions paid in this country connected with British troops serving in India, and a portion of the cost of transporting British troops to and from India."¹

In whatever light the 'Home Charges' may be viewed, the fact remains undisputed that a large portion of India's resources was annually sent out of the country for nearly a century of the Company's rule without any direct return. There are some who argue that there was a return in the shape of the moral and political benefits derived by India from her connexion with Great

¹ Wingate, *Our Financial Relations with India*, ch. iv.

Britain. We refrain from discussing this aspect of the question ; for, apart from the difficulty of assessing non-material values, it is sure to take us beyond the scope of our subject.¹

¹ Sir Thomas Munro, one of the greatest administrators of India, compared the advantages and disadvantages of the Company's rule in India in these words : " They are more secure from the calamities both of foreign war and internal commotion, their persons and property are more secure from violence, they cannot be wantonly punished or their property seized by persons in power, and their taxation is on the whole lighter. But, on the other hand, they have no share in making laws for themselves, little in administering them, except in very subordinate offices ; they can rise to no high station, civil or military ; they are everywhere regarded as an inferior race, and often rather as vassals and servants than as ancient owners or masters of the country." Minute on the State of the Country, dated the 31st December, 1824.

H. H. Wilson, the famous historian, attempted to balance the two sides of the account thus : " It is by this inherent and irremediable defect, *i.e.*, the unnatural rule of foreign masters, that the main faults of the Indian Government—the costly and complicated machinery of an administration ill-suited to the conditions of the society on which it has been forced—the slow and imperfect distribution of justice, the feeble and vicious organisation of the police, the perpetual and exhausting drain upon the public revenue—are to be accounted for ; and not by any want of wisdom or benevolence in those who have been entrusted with the prosperity of India, and who have always assiduously and earnestly laboured for the good of the people. Nor have they laboured in vain. For, although the country has suffered many and great disadvantages from the substitution of strangers for its own functionaries, its own chiefs, its own sovereigns, it has been, in some degree, compensated for their loss by exemption from the fatal consequences of native misrule—by protection against external enemies—by the perpetuation of internal tranquility—by the assured security of person and property—by the growth of trade—the increase of cultivation—and the progress, the introduction of the arts and sciences, the intelligence and civilisation of Europe." *History of India*, vol. iv. ch. ix.

CHAPTER VII

MILITARY EXPENDITURE

THE military expenditure of the East India Company furnishes the key to its general policy. Before, however, we discuss the details of military charges, it will be desirable to give a brief history of the growth of the army in India. As a trading corporation, the East India Company did not find it necessary to maintain a large military force.¹ But the need began to be felt when the Company's servants in India commenced the practice of interfering in the quarrels and intrigues of the country powers. This policy, before long, involved the Company in wars, offensive as well as defensive. During the earlier years, the authorities in England desired to pursue a policy of peace. Let us take an instance. Immediately after the passing of the Regulating Act of 1773, the Directors sent instructions to the Governor-General and Council directing them to fix their attention on the preservation of peace throughout India. The Council was, however, divided on this question. The majority favoured a pacific policy; but Warren Hastings was too ambitious to

¹ In the year 1681, for instance, the British force in Bengal consisted of twenty men under a Corporal, and this was the maximum fixed by order of the Nawab of Murshidabad.

concur in this view. He, very often, intervened in the affairs of the Indian princes with the object of acquiring territories. In connexion with the participation of the Company's forces in the Rohilla war, the Court of Proprietors unanimously adopted the following resolution in 1775: "They are of opinion, with the Court of Directors, that the agreement made with Suja-ud-Daula for the hire of a part of the Company's troops for the reduction of the Rohilla country, and the subsequent steps taken for carrying on that war, were framed on wrong policy, were contrary to the general orders of the Company, frequently repeated, for keeping their troops within the borders of the provinces, and for not extending their territories, and were also contrary to the general principles which the Company wish should be supported."¹ The Proprietors strongly approved of the policy of the majority of the Governor-General's Council, which coincided exactly with their own, and remarked that "their determination to endeavour to maintain peace in India, and rigorously to defend our possessions and allies, cannot be too much applauded."²

The orders of the Company, during this period, to their administration at Bombay, were drawn up in the same spirit and directed to the same object, namely, the preservation of peace and a system of defence. And yet the Directors were not without

¹ Fifth Report of the Committee of Secrecy, 1782, Appendix 46.

² *Ibid.*

wishes for some extension of territories ; and had early recommended, in very strong terms, to the President and Council of Bombay, "an attentive endeavour, upon every occasion that might offer," to obtain the grant of Salsette and Bassein from the Mahrattas.

The Company's officials in India were, with a few exceptions, wedded from the beginning to a policy of conquest. And with the extension of territory and the hope of acquisition of fresh riches, the policy of the authorities in England themselves also underwent a gradual change. A large army thus became an imperative necessity. Some of the writers in the service of the Company had already transformed themselves into soldiers. Small batches of armed men were from time to time brought from the United Kingdom. In 1764, the President and Council in Bengal represented that the Company's interests were exposed to great danger by frequent mutinies among the sepoys, and urged the indispensable necessity of keeping up such a body of English troops as might furnish a sufficient security for their possessions and might over-rule the country powers. In the same year, Lord Clive, in a letter to the Court of Directors, proposed that the Company should always have in Bengal 4,000 (or at least 3,000) European soldiers. The Directors agreed to the proposal, and left it to the Governor and Council to reduce the number whenever it might be done with safety, or to increase it, whenever

it should appear to be absolutely necessary, "and not otherwise."¹

A practical limit was set to the number of European troops by the difficulty of obtaining recruits from Europe and the enormous expense incurred for the purpose. Besides, the European soldiers in those days were mostly drawn from the lowest strata of society, and indiscipline and various vices were their marked characteristics. Thus the formation of an army, composed largely of Indians, was found necessary. Originally, the Indian force consisted of half-disciplined *sepoys*, equipped with rude and antiquated arms. It was at Bombay that the first Indian corps was formed by the English. The *sepoys* continued long in independent companies, commanded by Indian captains. As the possessions of that settlement enlarged, its army increased. The companies were formed into battalions under European officers. In 1780, during the war with the Mahrattas, the establishment consisted of fifteen battalions. At the termination of the war with Tipu, these were reduced to six, with one battalion of marines. In 1788, its number was augmented to twelve battalions. In 1796, the *sepoys* force was formed into an establishment of four regiments of two battalions each. The acquisition of territories, and subsidiary alliances, led to a progressive increase in the force.²

¹ Report of the Committee of Secrecy, 1773.

² *Vide* Sir John Malcolm, *Rise, Progress and Character of the Native Army*

Indian troops were first instructed in the European system of discipline by the French in Madras. The idea was then borrowed from them by the English. About the middle of the eighteenth century, the southern Presidency was a scene of keen warfare between the English and the French. During the siege of Madras which took place in 1746, a number of peons, armed with swords and spears or matchlocks, was enlisted for the occasion. A sort of irregular infantry was thus formed. A young officer attached to this body, by name Haliburton, was employed, in the following year, in training a small corps of Indians in the European manner. The number of such sepoy gradually increased. During all the wars of Clive, Lawrence, Smith, and Coote, the sepoys of Madras displayed great courage and devotion to duty.

The Indian cavalry of the Madras Presidency was originally raised by the Nawab of the Carnatic. The first corps, embodied into a regiment under European command, served in the campaign of 1768 in Mysore. From 1771 to 1776, the cavalry force was greatly augmented, but then it declined. The portion that was retained nominally in the service of the Nawab, but actually in that of the Company, served in the campaigns of 1780 to 1783, and was formally transferred to the Company's service in 1784.

of India ; also Report of the Select Committee, 1832, Minutes of Evidence, Appendix B.

The Bombay sepoy army was indiscriminately composed of all classes, Mahomedans, Hindus, Jews, and Christians.

The organisation of the troops in battalions in Bengal was first made in 1757. Each battalion consisted of ten companies of 100 men each, commanded by a captain, with one lieutenant, one ensign, and one or two sergeants. The cavalry came into existence at a later date. The Bengal troops distinguished themselves in the war against Tipu Sultan in 1790 and 1791. They also showed their accustomed valour in the campaigns of 1803 and 1804.

Thus before the end of the eighteenth century, each of the three Presidencies of India had succeeded in organising an efficient army of its own.¹ The actual strength of the army in India varied according to the political changes which took place in the country itself as well as in Europe. In Bengal, the total number of soldiers in 1757, the year of the battle of Plassey, was 3,796, of whom 1,407 were Europeans (including officers and non-commissioned officers), and 2,389 sepoy and topasses. In 1766, the Bengal army was composed as follows: European infantry, consisting of 119 commissioned officers and 2,520 non-commissioned officers and privates; European cavalry—one officer and 26 privates; Artillery—30 officers and 23,066 men; Sepoy infantry—3,000 officers and 300 mounted sowars. The army in the Presidency of Madras consisted of:—97 officers and 2,397 non-commissioned officers and privates in the European infantry; 2 officers and 90 soldiers in the European

¹ Malcolm, *Rise, Progress and Character of the Native Army of India* (1816).

cavalry ; 20 officers and 338 men in the artillery ; and 3,000 officers and 13,122 sepoy in the Indian portion of the army. The strength of the Bombay army was : 65 officers and 1,388 non-commissioned officers and privates in the European infantry ; 17 officers and 297 soldiers in the European cavalry ; 437 officers and 3,077 soldiers in the sepoy infantry. There were, besides, small contingents maintained in Bencoolen and St. Helena, at India's expense.

Some increase in numbers in each of the Presidencies occurred in the course of the next six years. This increase, of course, involved an augmentation of charges. In 1767, Vansittart, Governor of Bengal, pointed out that the cost of the military establishment in the province was nearly equal to the whole of the revenue. In 1772, an attempt was made to reduce military expenditure. But a few years later, it again showed signs of increase. A comparative view of expenditure in the different provinces during the early period will be found from the following table ¹ :

		Bengal.	Madras.	Bombay.	Total.
1765-66	-	£996,007	£333,549	£118,020	£1,447,576
1772-73	-	1,579,175	599,216	311,902	2,490,293
1778-79	-	1,295,074	911,669	401,534	2,608,277

It should be remembered that, in addition to these sums, considerable amounts were spent by Indian princes in accordance with treaties and engagements with the Company. Instances are to be found in the

¹ These figures include expenditure on military buildings and fortifications.

stipulations made by the Nawab of Murshidabad, the Nawab of Arcot, the Raja of Tanjore, and the Vizier of Oudh.¹

A brief reference may be made here to the pay of the soldiers during this period. The salaries of the Indian portion of the troops in Bengal were as follows : subedar, Rs. 20 ; jamadar, Rs. 13 ; havildar, Rs. 6-2-0 ; naik, Rs. 4-2-0 ; topass,² Rs. 5 ; sepoy, Rs. 4. The pay of the European soldier was somewhat higher. The salaries of the European officers were fixed on a much more generous scale. They received house-rent in addition to salary.

In 1780, the pay, *bhata*, and allowances of Europeans in the Bengal army were as follows (in *sanwat* rupees) : colonel—pay, 310 ; *bhata*, 775 ; allowance 210 ; lieutenant-colonel—pay, 248 ; *bhata*, 620 ; allowance, 195 ; major—pay, 186 ; *bhata*, 465 ; allowance, 155 ; captain—pay, 160 ; *bhata*, 186 ; lieutenant—pay, 117 ; *bhata*, 124 ; ensign—pay, 50-8 ; *bhata*, 96 ; sergeant—pay, 16 ; *bhata*, 10 ; corporal—pay, 14 ; *bhata*, 10 ; drummer—pay, 11 ; *bhata*, 10 ; fifer—pay, 11 ; *bhata*, 10. The private soldier received Rs. 10 as pay and Rs. 10 as *bhata*. The salaries of the Indian officers and soldiers were now slightly higher than in 1757.

¹ The Nawab of Arcot engaged to defray the expenses of ten battalions of sepoys, besides that of his own garrisons. The Raja of Tanjore paid annually four lakhs of pagodas for the expense of the Company's troops.

² The 'topasses' consisted mainly of Christians, Jews, and persons of mixed descent. The name was derived from 'topi' (the European hat) which they used. They were intermediate between 'sepoys' and European soldiers.

We thus find that while the rank and file received miserable pittances, substantial emoluments were fixed for the commissioned officers, especially in the higher ranks. In addition to the sums mentioned above, the officers received commission on the *Diwani* revenues in different proportions. The Commander-in-Chief received, besides his salary and various allowances, seven and a half shares of the commission.¹ In 1774, the Court of Directors instructed that the Commander-in-Chief be permitted to occupy a suitable house and that he be paid a sum of £6,000 (Rs. 60,000) per annum, in lieu of travelling charges and all other advantages, in addition to his salary of £10,000 as member of the Governor-General's Council.² Curiously enough, these emoluments were not considered sufficient for the head of the military department, and it was resolved in the Governor-General's Council in 1779 that Sir Eyre Coote (then Commander-in-Chief) should be allowed to draw Rs. 7,500 per month for the expenses of his table and Rs. 6,326 for travelling and incidental charges when in the field.³ These

¹ The accounts of the military department show that from the 1st May, 1763, to the 1st September, 1777, the total amount of the allowances drawn by the Commanders-in-Chief in India (including profit on the monopoly of salt and the commission on the revenues) was 24,03,923 Company's Rupees. No charge for the Commander-in-Chief appears from the 15th September, 1765, to the 27th January, 1767, during which period Clive was Governor as well as Commander-in-Chief. The average thus works out at about two lakhs of rupees a year.

² Company's General Instructions (article 60) to the Governor-General and Council, dated the 29th March, 1774.

³ Philip Francis objected to the proposal on the ground that the proposed establishment was a double one. But Hastings supported it by referring to the precedent of Col. Stibbert; to which Francis replied that no conclusion

allowances were discontinued in 1780 under the orders of the Court of Directors.¹

Another, though uncertain, source of income of military officers and soldiers was prize-money. In 1758, the King granted to the East India Company all booty or plunder which might be seized from any of its enemies, "in order to enable them to support the great burden and expense of the war." In all instances where the Company's troops were engaged, the booty was given up to the captors. All ranks of the army participated in the plunder obtained from the various wars, the shares of the officers being naturally much larger than those of the rank and file. After the defeat of Tipu Sultan, Cornwallis ordered a gratuity equal to six months' *bhata* (about 22 lakhs of rupees) to be distributed to the troops out of the money obtained from him.² The Court of Directors went further, and directed as much more to be distributed "in testimony of their approbation of the services of the army." There was some dispute as to the distribution of the booty obtained during the Pindari and Mahratta wars. But it was ultimately decided that the forces which had participated in the campaigns were

in favour of Sir Eyre Coote could be drawn from the abuses of former times, and he urged that it was in view of these abuses that the Company had fixed a precise limit to the pay and emoluments of the Commander-in-Chief. *Vide* Proceedings of the Governor-General and Council in Bengal, dated the 12th and 22nd April, 1779.

¹ Company's General Letter to Bengal, dated the 18th October, 1780.

² Cornwallis relinquished his share which amounted to £47,224, and his example was followed by General Medows. *Vide* Forrest, *Selections from State Papers, Cornwallis*, vol. i. p. 178.

entitled to the "Deccan Prize Money." In 1832, an Act was passed, which provided that all captures in the East Indies were to be disposed of as the King might direct.

In the earlier days, the number of British officers was small, and Indians rose to high positions, "even occasionally to the command of irregular regiments."¹ But, gradually, they were excluded from the higher ranks of the army. In 1783, the Select Committee of Parliament observed: "No native of whatever description holds any rank higher than that of a Subadar Commandant, that is, of an officer below the rank of the English subaltern."²

Wars and extensions of territory led to a substantial increase in military expenditure during the next fifteen years. In 1781, the President and Council at Fort St. George wrote to the Directors that the heavy charges incurred by the war with Hyder Ali laid them under the necessity of appropriating all the revenues to the defraying of military expenses, and prevented any provision for investment. At the conclusion of this war, the whole of the military establishment, including the King's troops, consisted of 124,000 men (of whom 23,000 were Europeans). The expenses of supporting such a force were calculated at £2,732,196; but taking into account the *bhata*, or field allowance,

¹ Paper read by Sir George MacMunn at the East India Association, 1927.

² Ninth Report, 1783. The Committee said further: "All the honourable, all the lucrative situations of the Army, all supplies and contracts of whatever species that belong to it, are in the hands of the English."

and the charges of the King's troops, the military expenses in 1782-83 appear to have amounted to nearly four million pounds sterling.¹ After the passing of Pitt's India Act, the military establishment was fixed by Henry Dundas at 70,919 men, and the expenditure was reduced to about a million and a half pounds sterling. There was a small addition in the course of the next five years.

Cornwallis believed in a policy of peace, but the engagements of the Company with some of the Indian princes led him into a long and arduous struggle with Tipu Sultan. It thus became necessary to augment the troops. The success gained in this war enabled Cornwallis to reduce the army to some extent. But he did not consider it advisable to make any substantial reduction in the strength of the army. Besides, his conviction that a large European force was necessary for the maintenance of British authority in India prevented him from materially reducing the military charges.²

In 1793, the total military expenses of India amounted to £3,035,375. The strength of the army in that year consisted of 88,429 men. Of these, 34,922 belonged to the Bengal Army, 39,895 to Madras, and

¹ Bruce, *Plans for India*, quoted in *British India Analysed*, pp. 786-787.

² On the 18th August, 1787, Cornwallis wrote to the Court of Directors: "I think it must be universally admitted that without a large and well-regulated body of Europeans, our hold of these valuable dominions must be very insecure. It cannot be expected that even the best of treatment would constantly conciliate the willing obedience of so vast a body of people." Ross, *Cornwallis Correspondence*.

13,612 to Bombay. The relative proportions thus were: .394, .451 and .153 respectively. Madras had now gone ahead of Bengal in respect of military strength. Though divided under three administrations, the army in India was in reality one whole, "engaged as it was for the protection of the Empire at large."¹

Shore was of a peaceful turn of mind, and he did his best to keep military expenses down. But after 1796, the armies of all the Presidencies were increased by successive and considerable augmentations. Between 1793 and 1807 the increase of expenditure amounted to nearly four and a half millions sterling a year. This was due, primarily, to additions made to establishments during Lord Wellesley's wars, and, secondarily, to the remodelling of the army and the increase of the pay of both European and Indian soldiers.

In the course of an exposition of the state of the Company's finances since the renewal of the Charter in 1793, the Court of Directors observed, in 1808: "Whenever Great Britain is involved in a European war, the effects are always felt in India in increased military expenses, even when no European enemy appears in the field there; but that war (the Napoleonic war) has been carried into India, and, at the desire of His Majesty's Government, the Company have had to sustain the expense of various expeditions

¹ *An Exposition of the State of the Company's Finances in India, 1808.*

to the French, Dutch and Spanish possessions in India, and to Egypt, all chiefly on the national account.”¹

The Directors pointed out that the Company had incurred a very heavy charge on account of the great increase in the number of the King's troops sent to India. They advanced a claim of £18,000,000 on the British Government on account of the expenses incurred since the commencement in 1797 of the foreign expeditions from India. In support of this claim they observed : “ Our revenues will not, with the requisite allowances for the other branches of public expenditure, suffice for the payment of the present military establishments, of which the King's troops, including their passage to and from India and the recruiting service, account for so extensive a part. Reduction, therefore, is here indispensable. Increase, payable from the funds of the Company, is impossible ; and this is a subject on which a clear and definite understanding is immediately necessary.”

The Directors concluded their exposition with the following significant remarks : “ For wars growing out of our Indian system, at least before we had spread ourselves, as within these few years we have done over so much of the continent of Hindusthan, our Indian resources, with the aid of loans, have been adequate. . . . But against the invasion of great European armies by land, the Company's revenues

¹ *An Exposition of the State of the Company's Finances in India*, 1808.

can by no means provide, and it may be doubted whether the current revenues of the Moghul Empire, when flourishing and under one head, would long have been sufficient for such purpose. . . . The Nation has an interest in preserving the Eastern possessions of this country, and from the hands of the French, greater even than that of the Company. The Company have acquired and maintained them, infinitely more to the advantage of the Nation than its own. If these possessions should at length be assailed by Powers to which the revenues and resources derivable from them can provide no effectual opposition, it is but just that some part of the wealth which has flowed from them into Great Britain through public and private channels, for the last fifty years, should be employed in their defence, and in defending them out of means they have themselves furnished, the country will only act in the maintenance of its own essential interests.”¹

At the time of the renewal of the Company's Charter in 1813, the military force stood at 200,071 men. The relative proportions in the different provinces had also, in the meantime, changed. Bengal, which in 1793 was second in respect of the numerical strength of its army, had now a considerably larger force than Madras. Bombay stood far behind both.

The military operations against Nepal and the Mahrattas led to several successive additions to the

¹ *An Exposition of the State of the Company's Finances in India*, 1808.

strength of the army from 1815. The maximum was reached during the first Burmese war and the siege of Bharatpur. With the return of peace in 1827, there was some decrease in number, and in 1830 the total force stood at 223,476 men. The numbers in the different presidencies at this time were: Bengal, 112,598; Madras, 70,730; Bombay, 40,148.¹

If we compare the European and Indian troops in respect of numbers, we find that in 1793 there were 18,768 Europeans and 69,661 Indians, the relative proportion being 1 European to 3·711 Indians. With the acquisition of new territories, the number of European troops gradually increased; but the proportion of the European to the Indian force fell almost steadily till in 1830 it stood at 1 to 5·110.

The question of the relative strength of the two kinds of troops formed one of the subjects of investigation by the Select Committee of 1832-33. The witnesses who appeared before this body expressed divergent views on the question. Sir Robert Scot was inclined to fix the proportion of the European force at one-tenth of the number of troops maintained, but at one-sixth when they took the field. Mackenzie observed: "I consider that a large native army is quite essential for maintaining the tranquillity of the country; but I should be very sorry to see its defence and obedience trusted to them without also a large European force." On the other hand, Sir John

¹ Evidence taken by the Select Committee, 1832-33.

Malcolm remarked: "That a certain proportion of European troops should always be in India is fully admitted, but there is no error more common than that of considering them as a check upon the native armies. They never have proved, and never will prove such. It is by complete confidence alone that the native army of India can be preserved in efficiency, and attached to the government it serves."¹

The difference in expense between the two classes of troops was always considerable. The actual cost per man in each description of corps, European and Indian, in 1830, was as follows:—*Cavalry*: in Bengal—European, £100; Indian, £64; in Madras—European, £109; Indian, £90; in Bombay—European, £107; Indian, £87. *Artillery* (Foot): in Bengal—European, £61; Indian, £28; in Madras—European, £81; Indian, £45; in Bombay—European, £90; Indian, £46. *Infantry*: in Bengal—European (King's), £61; European (Company's), £59; Indian, £30; in Madras, European (King's), £66; European (Company's), £68; Indian, £35; in Bombay—European (King's), £65; European (Company's), £67; Indian, £32.

With the question of expense is connected that of the relative efficiency of European and Indian troops. This, according to Sir Robert Scot, "would vary very much according to circumstances." "In some situations," he said, "the native troops I should think better calculated for employment than European

¹ Minutes of Evidence recorded before the Select Committee, 1832-33.

troops ; in others, I should think the European troops better calculated for employment than the native ; but in the general course of service I should say they act better together, and perhaps they should always be so employed, but with a very limited proportion of Europeans to natives.”¹

The pay of the Indian troops at the different Presidencies was practically the same. There was, however, a difference in the *bhata*, and a more considerable one in the pensions. This had arisen from “ a variety of causes referring to the class of men, the difficulty of obtaining recruits, price of provisions and labour, and other local circumstances.”

The European troops were of two descriptions, namely, King's troops and Company's troops. The total number of King's troops in the year 1813, including both cavalry and infantry, was 21,490 ; and the expenditure amounted to £1,014,971. There was some reduction in the strength of this portion of the army between the years 1819 and 1826. But an increase took place in 1827. The number rose to 20,292 in 1830, and the expenditure came up to £801,200.

The constitution of the Company's army experienced frequent and important alterations. Till 1783, all officers bearing the King's Commission were con-

¹ Minutes of Evidence, Select Committee, 1832-33. Another advantage of the Indian portion of the army was mentioned by Sir John Malcolm. He wrote, “ Our regular native army not only inspires awe by their courage and discipline, but forms a strong link with a great body of our subjects, including their relatives and connections.”

sidered superior in status to those of the Company of the same rank. From that date till 1796, the Company's armies had an independent constitution and system of promotion. A new arrangement was made in 1796, under which the restrictions regarding the rise of the Company's officers to the higher ranks were removed, and promotions were made more extensive. The pay and allowances of the army were revised, and furlough and retirement rules were framed. Further changes were introduced into the system in 1805, 1813, and 1823. The pay and allowances of the King's forces in India were the same as the corresponding ranks in the Company's army in 1830. The pay of the officers was somewhat higher, but in such instances a deduction was made from the allowances, so as to keep the two services on a footing of equality in the corresponding ranks.¹

Besides its own army, the Company obtained the assistance of King's regiments whenever occasion arose. Prior to 1781, the expenses of sending troops to India were borne by the British public. But in that year, it was arranged that the Company should pay two lakhs of current rupees on account of every regiment, consisting of one thousand men, sent or to be sent by the King to India on the requisition of the Company. In 1888, after a great deal of correspondence between the Company and the ministers of the Crown, and

¹ Major-General Sir John Malcolm's Letter to the Secretary to the India Board, dated the 13th February, 1832.

despite considerable opposition in Parliament, the India Board was authorised to fix the strength of the King's troops to be maintained out of the revenues of India, provided that such strength did not exceed 8,045 men, including commissioned and non-commissioned officers, and that the total number of European soldiers in the Company's army did not go beyond 12,000 men. The limit regarding the King's troops was raised by subsequent enactments.

The accounts between the British Exchequer and the Company were closed up to the 24th December, 1792, and it was provided by the Act of 1793 that all actual charges on account of the King's troops were henceforth to be borne by the Company.¹ In terms of this arrangement, the Paymaster-General obtained from the Company not only the salaries and allowances of the officers and soldiers, but also the recruitment and transport charges and all incidental expenses. In 1822, a settlement of accounts took place between the Company and the British Exchequer, including a claim on the part of the latter for the maintenance of the King's forces beyond the limit fixed by the legislature. In the following year, the Company agreed to pay the further sum of £60,000 for the retiring pay, pensions and other allowances of His Majesty's troops. The Company repaid to the British Government every sum spent in England in respect of regiments serving or having served in India.

¹ Auber, *Analysis of the Constitution of the East India Company*, pp. 438-448.

The desirability or otherwise of the transfer of the Company's army to the Crown was one of the questions asked of the witnesses who appeared before the Select Committee of 1832.¹ Some of them expressed the belief that a material reduction in expense would result from the transfer of the Company's troops to the Crown. They held that a considerable duplication of staff would be avoided by this means, and that a saving might be effected in the supply of stores. There was, however, no unanimity of opinion expressed in this regard. One of the experts declared that the separation of the Company's army from the King's had been "productive of the greatest obstacle to its efficiency, good spirit, and economy." On the other hand, some other witnesses expressed themselves as decidedly opposed to such a change. A few of them supported the idea of amalgamation with some qualifications.

The army was divided into three branches, namely, artillery, cavalry, and infantry. The strength of the artillery force rose from 16,460 in 1813 to 17,385 men in 1830. During this period, the expenses of this branch rose from £398,929 to £626,463. The cavalry consisted of 15,925 persons in 1813, while the strength in 1830 was 19,539. The expenditure increased from £939,490 to £1,070,834. The strength of the infantry

¹ Lord Cornwallis had proposed not only that officers in the King's and the Company's troops should be put, as nearly as possible, on a footing of equality in every respect, but that the whole of the army, Indian as well as European, should be transferred to His Majesty's Service. Letter to the Court of Directors, dated the 19th December, 1787, and Letter to Henry Dundas, dated the 7th November, 1794.

maintained in 1830 was 170,062 as against 156,279 in 1813, the cost being £4,025,079 as against £3,644,099. Besides, there were the irregular corps, the engineers, the pioneers, and the medical staff.¹

A few words may be said here about *bhata* or allowance. The system of *bhata* was first introduced in the days of Clive, in view of the additional charges which service in the field involved. In 1757, the system of double *bhata* was introduced in peculiar circumstances.² Clive, being urged by the Directors to reduce military expenses in Bengal, abolished double *bhata* in 1766. The decision caused so great an irritation among officers that a conspiracy was formed to resist the order. The combination was, however, put down without much difficulty. The system which prevailed in 1779 was this. All officers and soldiers,—whether of cavalry, infantry, artillery, or sepoys,—all laskars, artificers and workmen of every description, acting in the field, within the provinces, were allowed full *bhata*. Half *bhata* was allowed to all of them while in garrison, cantonments, or quarters. Double *bhata* was granted to commissioned officers only when they were acting in the field beyond the provinces, and half double (or full) *bhata* when in garrison, cantonments, or quarters beyond the provinces. But officers

¹ Minutes of Evidence, recorded by the Select Committee, 1832.

² In regard to the origin of the system of double *bhata*, Mill says, "When the English forces took the field with Mir Jafar after the Battle of Plassey, it was to cherish their goodwill, on which he was dependent, that the Nawab afforded to the officers twice the ordinary sum, and this allowance was distinguished by the name of double *bhata*." *History of India*.

who received double *bhata* were not entitled to draw the monthly gratuity. The commissioned officers received pay and gratuity (besides their pay and allowances on the staff) according to their military rank, but *bhata* only in one capacity, namely, that of their highest rank.¹ Full *bhata* was originally meant to provide for field equipment and extra expenses which officers were obliged to incur when marching. But it early lost this character in Bengal when continued to officers in cantonments. The same case occurred in the Bombay Presidency where, instead of an amount to meet a necessary but temporary expense, a monthly allowance was given, which became practically part of the officer's pay. On several occasions during the Governor-Generalship of the Marquis of Hastings and of the Earl of Amherst, the Court of Directors urged the reduction of the *bhata*. But both these administrators objected to the proposal. In 1828, as one of the measures of retrenchment, orders were issued for reducing these allowances by one-half. Considerable hardship was felt in consequence of the change, and it led to a great deal of discontent among officers.² Petitions were submitted to the Court of Directors, but they were of no avail.

Evidence was recorded by the Parliamentary Com-

¹ Report of the Committee of Secrecy, 1773.

² Sir John Malcolm's Letter dated the 13th February, 1832.

It was observed in reference to the half *bhata* order, "that an over-strained attention to economy on occasions which call for special consideration is too likely to operate injudiciously on the spirit and disposition of the officers and men."

mittee of 1832-33 on the question of Indian military expenditure. It was found that the increase of the European portion of the army had been higher than that of the Indian, the relative strength of the two kinds of troops being now 1:1·94. During the administration of Lord Dalhousie, a great improvement took place in the condition of the European soldier. His terms of service, food, clothing, and lodging were all bettered, and great care was bestowed upon his occupation, recreation, and health. But the condition of the Indian soldier was found to have been so perfect in the past as to have left little room for improvement. Many of the witnesses urged a substantial reduction. One witness said: "Just in proportion as good government fails, is the chance of insurrection." He expressed the opinion that "future expense ought to be less than the past," for the chance of war had greatly diminished. He also urged a policy of non-interference with the Indian States. On the recommendation of the Military Finance Committee some reduction was made in the strength of the army before the renewal of the Charter in 1833. An appreciable retrenchment was thus effected in military expenditure.

In 1834-35, the total strength of the army in India was 183,760 men. During the Afghan, Sind and Gwalior Wars it rose to 267,673. In 1844, there was a slight reduction in the military force. But the Sikh Wars gave another push to the army. By 1851, the total number of persons composing the army had

risen to 289,529.¹ In the early part of 1857, the Company maintained a force of 38,000 Europeans, with 276 guns, and 348,000 Indians, with 248 guns. Of the European force, nineteen battalions of infantry, 6,000 strong, were recruited by the Crown in the United Kingdom and made over for training to the Company's authorities in England. The rest was provided by the Crown from the British army. There were three commands in India, namely, Bengal, Bombay, and Madras. The Commander-in-Chief of Bengal had authority over all the troops supplied by the Crown, wherever they might be stationed, while his authority over the rest of the army was confined to his own province.² The Sepoy Mutiny caused a large increase in the strength of the army. In 1858-59, the army in India numbered 302,533 men, and it was composed of 106,290 Europeans and 196,243 Indians. Of the former, 86,186 were royal troops.

Simultaneously with the growth in number, there was an increase in military expenditure. In 1834-35, army expenditure, excluding buildings, works, stores, etc., amounted to £7,041,162. There was a slight reduction in charges in the next two years. But from 1837-38, owing to the various military operations, the expenditure showed a continually upward tendency.

¹ The strength of the various branches of the army at this time stood thus : engineers, 2,569 ; artillery, 16,440 ; cavalry, 34,984 ; infantry, 229,406 ; medical, 1,763 ; warrant officers, 243 ; veterans, 4,124. Of the total number 49,408 were Europeans and 240,121 Indians.

² Decennial Report, 1882-83 to 1891-92.

In 1846-47, the military charges stood at 11·98 million pounds sterling. In the following year, a small reduction was attempted, but there was again an increase in 1848-49. During the three years which followed, military expenditure was slightly less. But the year 1853-54 saw another increase. At this time, the question of Indian military expenditure attracted the attention of the House of Commons. Sir Charles Wood, President of the Board of Control, was, however, unable to give any hope of reduction in expenditure. In 1856, Vernon Smith expressed the opinion that such reduction was "next to impossible."¹ On the eve of the Mutiny, the annual expenditure was over 12 million pounds sterling.²

We shall not discuss the causes of the Sepoy Mutiny. It will be sufficient to say that the verdict of history has made the annexation policy of Lord Dalhousie largely responsible for this catastrophe.³ On his voyage home, Dalhousie wrote with a feeling of pride : "During the eight years over which we now look back the British territories in the East have been largely

¹ Financial Statement relating to India, 1856.

² This was exclusive of the expenses incurred in England and of marine charges.

³ As Frazer observes, "it was not until after the Mutiny that Lord Canning formally proclaimed that this policy of annexation was finally abandoned." *British India*, p. 266. On the 1st November, 1858, the Queen issued a Proclamation, which in part ran as follows : "We desire no extensions of our present territorial possessions ; and while we will permit no aggression upon our dominions or our rights to be attempted with impunity, we shall sanction no encroachment on those of others ; we shall respect the rights, dignity, and honour of Native Princes as our own ; and we desire that they—as well as our own subjects—should enjoy prosperity and that social enjoyment which can only be secured by internal peace and good government."

increased. Within that time four kingdoms have passed under the sceptre of the Queen of England, and various chieftainships and separate tracts have been brought under her sway." Little did he realise at the moment that he had sown the seeds of a great disaster which was to overtake the British administration within the brief period of two years. But it was at this very moment that a far-sighted statesman, Lord Canning, uttered the following prophetic words: "We must not forget that in the sky of India, serene as it is, a small cloud may arise, at first no bigger than a man's hand, but which growing bigger and bigger may at last threaten to overwhelm us with ruin."

The military charges were largely increased during the Sepoy Mutiny. The total military expenditure rose to £18 $\frac{3}{4}$ millions in 1857-58, and in the following year, it amounted to over £25 millions. The whole of this additional burden was thrown on the Indian Exchequer.

The military charges for the year ended the 30th April, 1858, were distributed as follows: General Government of India, including Bengal, Oudh, Nagpur, and Pegu and Martaban Provinces, £8,880,699; Punjab, £227,709; Madras, £3,654,251; Bombay, including Sind and Satara, £2,807,266; total charges in India, £15,569,925. There was, in addition to these charges, a large expenditure incurred in England, which amounted to £3,165,033 in 1857-58. The main sub-heads of such expenditure were as follows: Furlough

and retired pay to military officers, £717,205 ; Her Majesty's Paymaster-General, on account of Queen's troops serving in India, £1,175,000 ; retiring pay, pensions, etc., of Her Majesty's troops, serving or having served in India, £60,000 ; passage of troops, £842,778 ; passage outfit of officers on the staff, proceeding to join their regiments, £178,126 ; charges of the depot at Warley, and other recruiting charges, £120,118 ; military college at Addiscombe, £4,588 ; pensions under the regulations of Lord Clive's Fund, £67,218.

A few words ought to be said about the marine charges. Ever since the beginning of the seventeenth century, the East India Company maintained a naval establishment in Indian waters. Its headquarters were at Bombay, and its cost was defrayed out of the revenues of that Presidency. The original object of its creation was the prevention of piracy in the Arabian Sea. The Bombay Marine not only guarded the coast-line of India but was employed in naval operations even as far off as China and the Persian Gulf. It won considerable renown in the struggles of the various European nations who aspired after dominion in India.¹

At the commencement of the First Burmese War, the Bombay Marine consisted of fifteen vessels. In 1830, the name of the establishment was changed to that of the Indian Navy. About this time, its size was reduced, but in the course of a few years, it

¹ Martin, *Eastern India*.

regained its old strength. A small marine establishment had been maintained in Bengal for a long time, which was incorporated with the Indian Navy towards the close of the Company's administration. In 1857, the Indian Navy consisted of twenty-four steam vessels, eighteen sailing ships, nineteen river steamers, three surveying vessels and one receiving ship.¹

The naval expenditure of India was, in the earlier days, comparatively small. But it gradually showed a tendency to increase. In 1826, it was provided by an Act of Parliament that the expenses of any naval force which had been or might be sent to the East Indies were to be borne by the East India Company out of the revenues of India.

In 1857-58, the marine charges of the different administrations were as follows: Government of India, £106,531; Bengal, £376,395; Madras, £53,880; Bombay, including Sind, £553,267; Pegu and Martaban, £60,135; Tenasserim, £19,278; Charges in England, £1,200,544; total, £2,370,030.

If we compare the military and marine charges of the country in the last normal year of the Company's rule with those in the first year of the acquisition of the *Diwani*, we find that the increase during this period was more than eight-fold. These charges

¹ The sailing vessels of the Bombay Marine were mostly built in India. Carey says that the vessels built by the Parsi builder, Manockjee Lowjee, were "equal, if not superior, to those built in Europe." Indian builders also built vessels for the British Navy, and these were "said to have been remarkable for their strength and sea-worthiness." *Honourable John Company*, p. 297.

amounted to over forty per cent. of the total net income of the country in 1856-57. The expenses of the army and navy were so large because they were incurred for the purpose not so much of defence as of aggression. All the wars of the Company, by which territories were acquired in India as well as in some of the other eastern countries, were financed out of Indian revenues. Thus the history of the growth of military and naval expenditure in India not merely furnishes the key to the financial policy of the East India Company, but also brings prominently to our notice the acquisitive instinct of an ambitious people.

■

APPENDIXES.

■

APPENDIX A.

MEMORANDUM OF SURPLUS OR DEFICIT IN THE REVENUES AND CHARGES OF INDIA (INCLUDING HOME CHARGES) FROM 1814-15 TO 1857-58.

Year.	Surplus.	Deficit.	Remarks.
	£	£	
1814-15 - -	—	102,992	} Nepal and Mahratta Wars.
1815-16 - -	—	1,039,546	
1816-17 - -	—	369,005	
1817-18 - -	—	792,665	
1818-19 - -	—	1,380,059	
1819-20 - -	—	1,761,664	
1820-21 - -	117,262	—	} First Burmese War and the Siege of Bhurtpoor.
1821-22 - -	610,698	—	
1822-23 - -	1,743,139	—	
1823-24 - -	—	847,091	
1824-25 - -	—	2,961,147	
1825-26 - -	—	4,953,918	
1826-27 - -	—	2,396,320	
1827-28 - -	—	3,151,144	
1828-29 - -	—	927,629	
1829-30 - -	1,070,534	—	
1830-31 - -	109,199	—	} Afghan, Scind and Gwalior Wars.
1831-32 - -	—	207,581	
1832-33 - -	—	264,332	
1833-34 - -	49,398	—	
1834-35 - -	—	194,477	
1835-36 - -	1,441,513	—	
1836-37 - -	1,248,224	—	
1837-38 - -	780,318	—	
1838-39 - -	—	381,787	
1839-40 - -	—	2,138,713	
1840-41 - -	—	1,754,825	} First Sikh War.
1841-42 - -	—	1,771,603	
1842-43 - -	—	1,346,011	
1843-44 - -	—	1,440,259	
1844-45 - -	—	743,893	} Second Sikh War.
1845-46 - -	—	1,496,865	
1846-47 - -	—	971,322	
1847-48 - -	—	1,911,986	
1848-49 - -	—	1,473,225	} Second Burmese War.
1849-50 - -	354,187	—	
1850-51 - -	415,443	—	
1851-52 - -	531,265	—	
1852-53 - -	424,257	—	
1853-54 - -	—	2,044,117	
1854-55 - -	—	1,707,364	
1855-56 - -	—	972,791	
1856-57 - -	—	143,597	
1857-58 - -	—	7,864,222	

APPENDIX B.

STATEMENT EXHIBITING THE AMOUNT OF CASH BALANCES IN THE INDIAN TREASURIES

On the 30th April,	1834	-	-	-	-	-	£8,441,438
„ „ „	1835	-	-	-	-	-	9,745,056
„ „ „	1836	-	-	-	-	-	10,838,146
„ „ „	1837	-	-	-	-	-	10,514,861
„ „ „	1838	-	-	-	-	-	10,622,093
„ „ „	1839	-	-	-	-	-	9,518,541
„ „ „	1840	-	-	-	-	-	9,465,676
„ „ „	1841	-	-	-	-	-	8,979,795
„ „ „	1842	-	-	-	-	-	8,430,799
„ „ „	1843	-	-	-	-	-	9,831,414
„ „ „	1844	-	-	-	-	-	11,021,357
„ „ „	1845	-	-	-	-	-	11,537,085
„ „ „	1846	-	-	-	-	-	9,554,057
„ „ „	1847	-	-	-	-	-	10,691,804
„ „ „	1848	-	-	-	-	-	10,037,626
„ „ „	1849	-	-	-	-	-	11,042,456
„ „ „	1850	-	-	-	-	-	12,433,234
„ „ „	1851	-	-	-	-	-	12,982,174
„ „ „	1852	-	-	-	-	-	15,032,078
„ „ „	1853	-	-	-	-	-	15,439,134
„ „ „	1854	-	-	-	-	-	13,778,608
„ „ „	1855	-	-	-	-	-	10,049,202
„ „ „	1856	-	-	-	-	-	12,846,222
„ „ „	1857	-	-	-	-	-	13,611,534
„ „ „	1858	-	-	-	-	-	14,411,359

Converted at 2s. the Co.'s Rupee.

■

APPEN

GENERAL ABSTRACT VIEW OF THE
INCLUDING THE CHARGES DISBURSED

REVENUE AND RECEIPTS.

Ordinary :

Land Revenue	-	-	-	-	-	-	-	-	£15,317,337
Tributes and Subsidies from native states	-	-	-	-	-	-	-	-	544,457
Excise Duties in Calcutta	-	-	-	-	-	-	-	-	49,751
Sayer Revenue	-	-	-	-	-	-	-	-	268,360
Abkarry Revenue	-	-	-	-	-	-	-	-	794,244
Moturpha, Madras	-	-	-	-	-	-	-	-	107,826
Miscellaneous Receipts in the Revenue Department	-	-	-	-	-	-	-	-	228,220
Customs	-	-	-	-	-	-	-	-	2,148,834
Salt (exclusive of Customs Duty on Salt imported)	-	-	-	-	-	-	-	-	2,131,346
Opium	-	-	-	-	-	-	-	-	6,864,209
Post Office Collections	-	-	-	-	-	-	-	-	389,493
Stamp Duties	-	-	-	-	-	-	-	-	456,363
Mint Receipts	-	-	-	-	-	-	-	-	363,516
Marine and Pilotage Receipts	-	-	-	-	-	-	-	-	178,304
Judicial Receipts	-	-	-	-	-	-	-	-	298,732
Contributions from Native States on account of Contingents									36,816
Interest on Debts due by the Nizam and on other accounts	-								62,949
Miscellaneous Receipts in the Civil and Political Departments									402,309
Miscellaneous Receipts in the Public Works Department	-								476,910
Miscellaneous Receipts in the Military Department	-								586,800
Total Revenues and Receipts of all the Presidencies of India									£31,706,776
Excess of Expenditure over Income	-	-	-	-	-	-	-	-	7,864,222

£39,570,998

DIX C.

TOTAL REVENUES AND CHARGES OF INDIA, IN ENGLAND, FOR THE YEAR 1857-58.

EXPENDITURE.

Repayments : Allowances, Refunds and Drawbacks	-	-	£63,509
Charges of Collection and other payments in realisation of the Revenues, including cost of Salt and Opium, viz. Land, Sayer, Abkarry, etc.	-	-	2,005,044
Customs	-	-	149,376
Salt { Cost	-	-	301,689
Charges	-	-	304,191
Opium { Cost	-	-	747,335
Charges	-	-	198,499
Post Office	-	-	430,981
Stamps	-	-	27,845
Allowances and Assignments payable out of the Revenues in accordance with Treaties, or other Engagements	-	-	883,454
Allowances to Districts and village Officers and Enamdars, including Charitable Grants	-	-	1,113,912
Total of the direct Claims and Demands upon the Revenues, including Charges of Collection, and Cost of Salt and Opium			£6,225,835
Charges of the Civil and Political establishments, including contingent charges	-	-	4,019,886
Judicial and Police Charges	-	-	2,635,133
Buildings, Roads and other Public Works, including Repairs and Military Buildings	-	-	3,053,268
Military Charges	-	-	15,569,925
Indian Navy and other Marine charges	-	-	1,169,486
Charge of the Eastern settlements, exclusive of Charges of Collection and other payments out of Revenues	-	-	62,809
Mint Charges	-	-	145,514
Interest on Debt	-	-	2,196,672
Total Charges in India	-	-	£35,078,528
Charges disbursed in England, excluding the value of Stores supplied to India (Account No. 62)	-	-	4,492,470
			<u>£39,570,998</u>

APPENDIX D.

GROSS REVENUE AND EXPENDITURE IN INDIA,

1792-93 TO 1857-58.

Year.	Receipts.	Charges.	Surplus.	Deficiency.
1792-93	£8,225,628	£6,940,833	£1,284,795	—
1793-94	8,276,770	6,593,129	1,683,641	—
1794-95	8,026,193	6,567,808	1,458,385	—
1795-96	7,866,094	6,888,997	977,097	—
1796-97	8,016,171	7,508,038	508,133	—
1797-98	8,059,880	8,015,327	44,553	—
1798-99	8,652,033	9,139,363	—	487,330
1799-1800	9,736,672	9,955,390	—	218,718
1800-01	10,485,059	11,468,185	—	983,126
1801-02	12,163,589	12,410,045	—	246,456
1802-03	13,464,537	12,326,880	1,137,657	—
1803-04	13,271,385	14,395,405	—	1,124,020
1804-05	14,949,395	16,115,183	—	1,165,788
1805-06	15,403,409	17,421,418	—	2,018,009
1806-07	14,535,739	17,508,864	—	2,973,125
1807-08	15,669,905	15,850,290	—	180,385
1808-09	15,525,055	15,392,889	132,166	—
1809-10	15,655,985	15,534,711	121,274	—
1810-11	16,679,197	13,909,981	2,769,216	—
1811-12	16,605,615	13,220,966	3,384,649	—
1812-13	16,336,290	13,515,828	2,820,462	—
1813-14	17,228,711	13,617,725	3,610,986	—
1814-15	17,297,280	15,955,006	1,342,274	—
1815-16	17,237,819	17,059,968	177,851	—
1816-17	18,077,578	17,304,162	773,416	—
1817-18	18,375,820	18,046,194	329,626	—
1818-19	19,459,017	20,396,587	—	937,570
1819-20	19,230,462	19,689,107	—	458,645
1820-21	21,352,241	20,057,252	1,294,989	—
1821-22	21,803,108	19,856,489	1,946,619	—
1822-23	23,171,701	20,083,741	3,087,960	—

APPENDIX D—Continued.

Year.	Receipts.	Charges.	Surplus.	Deficiency.
1823-24	£21,280,384	£20,853,997	£426,387	—
1824-25	20,750,183	22,504,156	—	£1,753,973
1825-26	21,128,388	24,168,013	—	3,039,625
1826-27	22,383,497	23,312,295	71,202	—
1827-28	22,863,263	24,053,837	—	1,190,574
1828-29	22,740,691	21,718,560	1,022,131	—
1829-30	21,695,208	20,568,358	1,126,850	—
1830-31	22,019,310	20,233,890	1,785,420	—
1831-32	18,317,237	17,048,173	1,269,064	—
1832-33	18,477,924	17,514,720	963,204	—
1833-34	18,267,368	16,924,332	1,343,036	—
1834-35	26,856,647	16,684,496	10,172,151	—
1835-36	20,148,125	15,994,804	4,153,321	—
1836-37	20,999,130	17,363,368	3,635,762	—
1837-38	20,858,820	17,553,525	3,305,295	—
1838-39	21,158,099	18,690,767	2,467,332	—
1839-40	20,124,038	19,649,045	474,993	—
1840-41	20,851,073	19,920,654	930,419	—
1841-42	21,837,823	20,699,660	1,138,163	—
1842-43	22,616,487	21,430,333	1,186,154	—
1843-44	23,586,573	21,981,298	1,605,275	—
1844-45	23,666,246	21,808,435	1,857,811	—
1845-46	24,270,608	22,618,671	1,651,937	—
1846-47	26,084,681	23,849,553	2,235,128	—
1847-48	24,908,302	23,730,402	1,177,900	—
1848-49	25,396,386	23,753,940	1,642,446	—
1849-50	27,522,344	24,210,051	3,312,293	—
1850-51	27,625,360	24,283,438	3,341,922	—
1851-52	27,832,237	24,592,085	3,240,152	—
1852-53	28,609,109	25,279,247	3,329,862	—
1853-54	28,277,530	26,978,146	1,299,384	—
1854-55	29,133,050	27,741,721	1,391,329	—
1855-56	30,817,528	28,372,901	2,444,627	—
1856-57	31,691,015	28,079,202	3,611,813	—
1857-58	31,706,776	35,078,528	—	3,371,752

APPENDIX E.

GROSS REVENUES OF THE DIFFERENT PROVINCES OF INDIA, 1800-01 TO 1857-58.

	Bengal.	North-West Provinces.	Punjab.	Madras.	Bombay.
	£	£	£	£	£
1800-01	6,658,334	—	—	3,540,268	286,457
1801-02	7,127,988	—	—	4,729,609	305,992
1802-03	8,380,087	—	—	4,724,904	359,546
1803-04	8,060,993	—	—	4,651,744	558,648
1804-05	9,336,707	—	—	4,897,140	715,548
1805-06	9,542,430	—	—	5,014,493	846,486
1806-07	9,160,149	—	—	4,602,721	772,869
1807-08	9,971,695	—	—	4,927,519	770,691
1808-09	9,816,458	—	—	4,998,321	740,276
1809-10	9,590,880	—	—	5,373,191	691,914
1810-11	10,682,249	—	—	5,238,576	758,372
1811-12	10,706,172	—	—	5,156,717	742,726
1812-13	10,390,257	—	—	5,258,244	687,789
1813-14	11,172,471	—	—	5,297,088	759,152
1814-15	11,155,912	—	—	5,322,164	819,204
1815-16	11,312,896	—	—	5,106,107	818,816
1816-17	11,856,953	—	—	5,360,220	860,405
1817-18	11,692,068	—	—	5,381,307	1,302,445
1818-19	12,437,385	—	—	5,361,432	1,660,200
1819-20	12,245,526	—	—	5,407,004	1,577,932
1820-21	13,547,423	—	—	5,403,506	2,401,312
1821-22	13,390,339	—	—	5,557,029	2,855,740
1822-23	13,312,044	—	—	5,585,210	3,274,447
1823-24	12,992,069	—	—	5,498,765	2,789,550
1824-25	13,524,223	—	—	5,440,743	1,785,217
1825-26	13,151,080	—	—	5,714,915	2,262,393
1826-27	14,812,833	—	—	5,981,681	2,588,983
1827-28	14,973,110	—	—	5,347,828	2,542,325
1828-29	14,833,840	—	—	5,575,049	2,331,802
1829-30	13,858,178	—	—	5,415,587	2,421,443
1830-31	14,119,914	—	—	5,358,260	2,541,136
1831-32	11,748,757	—	—	4,472,137	2,096,343
1832-33	12,244,523	—	—	4,108,061	2,125,340
1833-34	11,616,954	—	—	4,358,207	2,292,207
1834-35	15,290,414	4,899,274	—	4,480,025	2,186,934
1835-36	8,286,287	4,838,133	—	4,599,261	2,424,444
1836-37	8,618,470	5,056,489	—	4,618,309	2,705,862
1837-38	9,081,014	4,369,351	—	4,819,890	2,588,565
1838-39	8,772,796	5,044,756	—	4,953,070	2,387,477
1839-40	7,845,169	4,895,925	—	4,976,615	2,406,329
1840-41	8,435,974	4,632,562	—	4,974,639	2,807,898
1841-42	8,826,143	5,192,383	—	5,015,217	2,804,080
1842-43	9,085,597	5,321,829	—	5,086,759	3,122,302
1843-44	9,841,872	5,364,943	—	5,074,194	3,305,564
1844-45	9,996,689	5,526,699	—	4,996,329	3,146,529
1845-46	10,306,945	5,533,467	—	5,006,048	3,334,148
1846-47	11,526,318	5,932,509	—	5,134,045	3,491,809
1847-48	10,076,141	6,051,438	—	5,210,367	3,570,356
1848-49	10,115,421	5,986,591	—	5,151,453	4,142,921
1849-50	10,909,518	6,214,937	1,289,039	5,005,949	4,102,901
1850-51	10,423,829	6,091,529	1,591,897	5,087,333	4,430,772
1851-52	10,407,442	6,198,372	1,212,988	5,233,233	4,780,202
1852-53	11,216,705	6,124,131	1,238,482	5,318,077	4,711,714
1853-54	11,221,092	6,172,387	1,296,609	4,986,635	4,600,807
1854-55	11,691,344	6,254,268	1,307,745	4,927,346	4,950,347
1855-56	13,019,430	6,260,006	1,297,591	5,287,329	4,953,172

APPENDIX F.

GROSS REVENUE AND EXPENDITURE OF EACH PROVINCE OF BRITISH INDIA, EXCLUSIVE OF EXPENDITURE IN ENGLAND, FOR THE LAST TEN YEARS OF THE COMPANY'S RULE.

Years ended 30th April.	TERRITORIES AND DEPARTMENTS UNDER THE GOVERNMENT OF INDIA.		BENGAL.		NORTH-WEST PROVINCES.		MADRAS.
	Revenue.	Expenditure.	Revenue.	Expenditure.	Revenue.	Expenditure.	Revenue.
	£	£	£	£	£	£	£
1849	Included under Bengal for these years		10,115,421	12,448,433	5,986,591	2,002,720	5,151,454
1850			10,900,518	12,315,908	6,214,938	1,994,163	5,005,950
1851			10,423,829	11,883,231	6,091,530	2,133,104	5,087,333
1852			10,407,442	12,002,307	6,198,373	2,129,172	5,233,232
1853			11,215,705	12,582,015	6,124,130	2,119,727	5,318,078
1854			11,221,092	13,473,401	6,172,387	2,222,719	4,986,635
1855			11,691,344	13,718,480	6,254,268	2,252,279	4,929,346
1856			13,019,430	13,768,540	6,260,006	2,533,457	5,287,329
1857			13,512,854	13,885,288	6,219,036	2,608,244	5,465,330
1858			12,379,998	4,331,947	3,047,925	2,320,089	5,678,275

Years ended 30th April.	MADRAS.	BOMBAY, INCLUDING SIND.		PUNJAB.		TOTAL.	
	Expenditure.	Revenue.	Expenditure.	Revenue.	Expenditure.	Revenue.	Expenditure.
		£	£	£	£	£	£
1849	4,675,998	4,142,920	4,026,789			25,396,386	23,753,940
1850	4,574,274	4,102,900	4,646,099		*	27,522,344	24,210,051
1851	4,647,227	4,430,771	4,795,047	1,289,038	679,607	27,625,360	24,283,438
1852	4,700,140	4,780,201	4,757,900	1,212,989	1,022,566	27,832,237	24,592,085
1853	4,828,522	4,711,713	4,832,207	1,238,483	916,776	28,609,109	25,279,247
1854	5,225,377	4,600,807	4,964,435	1,296,609	1,092,214	28,277,530	26,978,146
1855	5,420,367	4,950,347	4,915,507	1,307,745	1,436,088	29,133,050	27,741,721
1856	5,537,168	4,953,172	5,123,425	1,297,591	1,410,311	30,817,528	28,372,901
1857	5,177,904	5,228,874	5,143,286	1,264,921	1,264,480	31,691,015	28,079,202
1858	6,485,755	6,116,499	6,665,877	2,452,306	1,632,353	31,706,776	35,078,528

* This territory was not acquired until 1849.

APPENDIX G.

DEBT OF THE GOVERNMENT OF INDIA

On the 30th April.	In India.	In London.	Total.	Interest payable.
	£	£	£	£
1834 - -	37,827,715	3,523,237	41,350,952	1,959,594
1835 - -	36,250,297	3,523,237	39,773,534	1,908,716
1836 - -	31,821,118	3,522,925	35,344,043	1,638,589
1837 - -	32,433,329	3,522,825	35,956,154	1,679,401
1838 - -	32,266,553	1,734,300	34,000,853	1,589,112
1839 - -	32,246,573	1,734,300	33,980,873	1,574,762
1840 - -	32,750,696	1,734,300	34,484,996	1,596,631
1841 - -	34,187,827	1,734,300	35,922,127	1,673,795
1842 - -	36,670,173	1,734,300	38,404,473	1,799,824
1843 - -	38,744,340	1,734,300	40,478,640	1,904,863
1844 - -	40,149,150	2,299,600	42,448,750	1,962,855
1845 - -	41,203,150	2,299,600	43,502,750	2,013,688
1846 - -	41,592,249	2,299,600	43,891,849	2,032,391
1847 - -	44,584,626	2,799,600	47,384,226	2,218,438
1848 - -	45,957,614	3,899,500	49,857,114	2,337,529
1849 - -	47,151,019	3,899,500	51,050,519	2,416,888
1850 - -	50,035,268	3,899,500	53,934,768	2,525,111
1851 - -	51,199,815	3,899,500	55,099,315	2,562,811
1852 - -	51,215,193	3,899,500	55,114,693	2,548,485
1853 - -	52,313,094	3,899,500	56,212,594	2,593,031
1854 - -	49,762,876	3,894,500	53,657,376	2,250,183
1855 - -	51,615,927	3,894,400	55,510,327	2,330,551
1856 - -	53,848,927	3,894,400	57,743,327	2,439,058
1857 - -	55,546,652	3,894,400	59,441,052	2,525,375
1858 - -	60,704,084	8,769,400	69,473,484	3,027,701

■

APPENDIX H.

STATEMENT OF THE ACCOUNT OF HOME CHARGES IN EACH YEAR FROM 1834-35.

Year.	Amount.
1834-35 - - -	£2,344,296
1835-36 - - -	2,461,402
1836-37 - - -	2,357,321
1837-38 - - -	2,358,651
1838-39 - - -	2,590,081
1839-40 - - -	2,673,054
1840-41 - - -	2,689,750
1841-42 - - -	2,956,303
1842-43 - - -	2,633,845
1843-44 - - -	3,035,389
1844-45 - - -	2,686,931
1845-46 - - -	3,143,361
1846-47 - - -	3,199,198
1847-48 - - -	3,109,895
1848-49 - - -	3,097,580
1849-50 - - -	2,808,977
1850-51 - - -	2,780,989
1851-52 - - -	2,676,186
1852-53 - - -	2,864,097
1853-54 - - -	3,427,976
1854-55 - - -	3,150,133
1855-56 - - -	3,559,809
1856-57 - - -	3,719,131
1857-58 - - -	4,492,470

These figures are exclusive of the cost of stores purchased in England for India and the extraordinary charges, such as subscriptions to charities, societies, hospitals and schools, presents, special grants, house dinners, and refreshments.

APPENDIX I.

TOTAL ANNUAL EXPENSE OF THE MILITARY FORCE IN EACH YEAR FROM 1834-35.¹

Year.					Amount.
1834-35	-	-	-	-	£7,041,162
1835-36	-	-	-	-	6,847,096
1836-37	-	-	-	-	6,885,857
1837-38	-	-	-	-	7,141,439
1838-39	-	-	-	-	7,607,514
1839-40	-	-	-	-	8,454,208
1840-41	-	-	-	-	9,006,433
1841-42	-	-	-	-	9,193,745
1842-43	-	-	-	-	9,562,524
1843-44	-	-	-	-	9,558,306
1844-45	-	-	-	-	9,634,985
1845-46	-	-	-	-	10,384,249
1846-47	-	-	-	-	10,598,016
1847-48	-	-	-	-	9,932,209
1848-49	-	-	-	-	10,739,647
1849-50	-	-	-	-	10,098,926
1850-51	-	-	-	-	10,715,145
1851-52	-	-	-	-	10,552,776
1852-53	-	-	-	-	10,963,249
1853-54	-	-	-	-	11,691,465
1854-55	-	-	-	-	10,624,149
1855-56	-	-	-	-	10,653,135
1856-57	-	-	-	-	10,858,963
1857-58	-	-	-	-	14,746,737

¹ This is exclusive of the charges on military buildings, fortifications, etc., and of the expenditure incurred in England for the army in India.

APPENDIX J.

FIRMAUN FROM THE KING SHAH ALUM, GRANTING
THE DEWANNEE OF BENGAL, BAHAR AND
ORISSA, TO THE COMPANY. DATED AUGUST
12TH, 1765.

AT this happy time our royal Firmaun, indispensably requiring obedience, is issued. That whereas in consideration of the attachment and services of the high and mighty, the noblest of exalted nobles, the chief of illustrious warriors, our faithful servants and sincere well-wishers, worthy of our royal favours, the English Company, we have granted them the Dewannee of the provinces of Bengal, Bahar and Orissa, from the beginning of the Fussul Rubby of the Bengal year 1172, as a free gift, and Ultungau, without the association of any other person, and with an exemption from the payment of the customs of the Dewannee, which used to be paid to the court ; it is requisite that the said Company engage to be security for the sum of twenty-six lacks of rupees a year, for our royal revenue, which sum has been appointed from the Nabob Nudjum ul Dowla Bahadur, and regularly remit the same to the royal Sircar ; and in this case, as the said Company are obliged to keep up a large army for the protection of the provinces of Bengal, etc., we have granted to them whatsoever may remain out of the revenues of the said provinces, after remitting the sum of twenty-six lacks of rupees to the royal Sircar, and providing for the expenses of the Nizamut : it is requisite that our royal descendants, the Viziers, the bestowers of dignity, the Omrahs high in rank, the great officers, the Muttaseddees of the Dewannee, the managers of the business of the Sultanut, the Jagheerdars and Croories, as well the future as the present, using their constant endeavours for the

establishment of this our royal command, leave the said office in possession of the said Company, from generation to generation for ever and ever ; looking upon them to be insured from dismission or removal, they must on no account whatsoever give them any interruption, and they must regard them as excused and exempted from the payment of all the customs of the Dewannee, and royal demands. Knowing our orders on the subject to be most strict and positive, let them not deviate therefrom.

Written the 24th of Sophar of the sixth year of the Jaloos (the 12th August, 1765).

INDEX

- ABKARI*, spirit tax, 237-9, 251
 Accountant, to the Government of Bengal, 54
 Accountants, in lesser provinces, 55
 Accountants-General, in England, 36
 in India, 41 *n.* 3, 53-5, 134, 138
 Accounts: form of, 55-6; of Presidencies, 78-9, 80-1; separation of governmental and commercial finances in, 16-20
 Accounts Department, India Board, 33-4
 Acts of Parliament, *see* Parliament
 Addiscombe Military Seminary, 332
 Aden, 289
 Afghan War, 106 & *n.*, 112, 360, App. A, 368
 Agra, 212 *n.*
 finance of, 105, 107
 government college at, 295
 town duties in, 232-3
 Alam, Shah, 60, 129
 Alexander & Co., banking activities of, 69 & *n.* 2
 Ali Vardi Khan, 149, 150 *n.* 1
 Allahabad, 212 *n.*
 pilgrim duties at, 246
 town duties in, 232-3
 Amherst, Lord, attempt to reduce expenditure, 95
 objects to reduction of *bhata*, 359
Amils, 137
 Anderson, David, 145 *n.* 1
 Appeal Courts, Bengal, 301, 305
 Akbar, creates office of Diwan, 1 *n.*
 Arabian Sea, piracy in, 364
 Arakan, taxes in, 255-6
 Arcot, 180
 Nawab of, 176, 344 & *n.* 1
 Army, in India: constitution of, 354-5; growth of, 337-43; pay of, 344-6; strength and cost of, 357-8, 360-4
 native: cost of, 353; officers in, 347; pay of, 344
 Arrah, town duties in, 233
 Ascoli, work quoted, 130 *n.*, 162 *nn.* 1 & 2
 Auber, P., work referred to, 1 *n.*, 3 *n.*, 4 *n.* 2, 10 *n.* 2, 30 *n.*, 35 *n.* 2, 41 *n.* 1, 72 *n.* 2, 95 *n.* 1, 356 *n.*
 Auckland, Lord, 316
 Audit of accounts in India, 36, 57
 Azim-us-Shan, Prince, 127 *n.*
- BADEN-POWELL, work referred to, 156 *n.* 1, 163, 165 *n.* 1, 169 *n.* 2, 171 *n.* 1, 183-4
 Bairseah, amount of land revenue in, 186
 Baker, Lt.-Col., on power of the Company, 13
 Balaghat, 180
 Balasore, 164, 212 *n.*
 Banda, town duties in, 233
 Bank of Bombay, 73-4
 Bank of Calcutta (later Bank of Bengal), 29, 69 & *n.* 3, 71-3
 Bank of Madras, 73
 Banking, history of Indian, 64-74
 Bareilly, 227
 house-tax passively resisted in, 258 & *n.*
 town duties in, 232-3
 Barlow, Sir George, grant to, 333 & *n.*
 policy of economy, 91, 94
 Barwell, Richard, charged with corruption, 275

- Barwell, Richard, co-operates in Hastings's plan, 139
- Batta*, 65, 66, 67
- Baze Jama*, 126
- Behar, civil courts in, 300
- Decennial Settlement in, 1790, 156
- finance of, 2
- Benares, customs-house in, 212 n.
- government college at, 295
- house-tax passively resisted in, 258 & n.
- police system in, 314
- Sanskrit College, 290
- settlement of land revenue in, 159
- town duties in, 232-3
- traces of ancient revenue system in, 160 n.
- Bencoolen, 79, 92, 100, 343
- Bengal, Bank of, 29, 69 & n. 3, 71-3
- Civil Fund, 333
- Nawab of, 127
- Bengal Presidency, Board of Customs, 44 n. 1, 209
- Board of Revenue, 46, 53, 137 n. 2, 138, 154
- civil justice in, 299-302
- constitution of, 8
- criminal justice in, 303-6
- currency shortage in, 27 n. 3
- customs duties in, 208-17
- Decennial Settlement, 1789, 156
- education in, 290-4, 297
- revenue for 1800-58, App. E, 374
- house-tax in, 258
- inland duties in, 224-9
- judicial and police charges in, 318
- land revenue in, 186
- masked financial system in, 2
- military establishment in, 348, 351-3
- Permanent Settlement of land revenue in, 160-3
- police system in, 312-4
- protest against investment system, 24
- revenue and expenditure, 46-7, 77-111
- salaries of judges, 306-7
- salt revenue, 192
- stamp duties in, 241-3, 244-5
- Bengal Presidency, supremacy of, 8
- town duties in, 232-4
- Bentinck, Lord William, employs Indians in Company's service, 286-7
- financial measures of, 101-2
- reforms in judicial system, 307-8
- retains pilgrim tax, 247
- work of retrenchment, 267
- Berhampur College, 294
- Betel-nut, 189, 209, 225, 236
- Bethune, Drinkwater, on Indian education, 294; founds girls' school, 295
- Bhagalpur, town duties in, 233
- Bharatpur, campaign against, 98
- siege of, 135, 352
- Bhata*, allowance system in army, 358-9
- Birbhum, 153
- Bird, R. M., 171 n. 2
- Bishnupur, 153, 160
- Board of Control, Accounts Department, 33-4
- constitution and powers of, 10, 11, 32 & n. 3
- expenses of, 330-1
- financial powers of, 5, 32-3
- financial statements to Parliament, 30-1
- inland duties and, 226-7
- memorandum on retrenchment, 1832, 104
- attitude to opium trade, 204-5
- approves separation of accounts, 17
- Board of Commissioners, *see* Board of Control
- Board of Customs, Bengal, 44 n. 1, 209
- Board of Education, Madras, 292
- Boards of Revenue, creation of, 43-4
- Bengal, 46, 53, 137 n. 2, 138, 154
- Madras, 174, 176
- Upper Provinces, 167 n. 1
- Board of Salt, Opium and Customs, Bengal, 238, 243
- Board of Trade, in India, 12 n. 1, 44
- Boat tax, 257
- Bolts, work quoted, 2 n.

- Bombay, Bank of, 73-4
 Bombay, Baroda and Central India
 Railway, 323
 Bombay City, opium sales, 206
 town duties in, 235-7
 university at, 297
 Bombay Presidency, civil justice
 in, 303
 criminal justice in, 306
 customs duties in, 217-9, 221
 education in, 292-4, 295, 297
 financial system, 41
 Governor-in-Council established,
 10
 land revenue in, 183-6
 military establishment in, 349, 351
 police and judicial affairs in, 315,
 318
 revenue and expenditure, 77-111,
 App. E, 374
 salaries of judges, 307 & n. 3
 salt revenue, 193-4
 stamp duties in, 244-5
 town duties in, 235-7
 transit duties in, 229.
 Boxer, Captain, compensation to,
 333
 Bright, John, on Afghan War,
 106 n.
 on finances of India, 31
 on Indian debt, 122
 on opium trade, 207
 on salt tax, 197
 on Sepoy Mutiny, 110 n. 1, 113
 British Crown, territorial rights of,
 4 n. 2, 6, 14 n. 2
 Bruce, J., work referred to, 348 n. 1
 Brunyate, work referred to, 74 n.
 Budget system, need for, 52-3
Bullooteh, village tax, 252-3
 Burdwan, 129 n. 3, 130, 137, 153
 Rani of, 273
 town duties in, 232
 Burmese Wars, 96, 98, 101, 107, 115,
 352, 364, App. A, 368

 CALCUTTA, 127, 209, 210, 211,
 212 n.
 Appeal Court in, 301
 Bank of, 29, 69 & n. 3, 71-3

 Calcutta, "customs," 209, 210,
 231-2, 251
 Customs House, 29
 Hindu College at, 291, 297
 house tax in, 258
 market dues in, 249 n.
 opium sales, 206
 opposition to stamp-tax, 242 n.
 Sanskrit College, 291
 town duties in, 232
 university at, 297
 Cameron, Charles, petition for esta-
 blishment of universities, 295
 Canara, 180, 230
 Canning, Lord, on dangers in India,
 363
 finance during administration of,
 109-10
 Capitulation tax, Arakan, 255
 Carey, W. H., on Indian-built vessels,
 365 n.
 Carnatic, Nawab of the, 115
 Carnatic Bank, 70
 Cash balances in India, 111-3,
 App. B, 369 ; in England, 118
 Cauvery canals, 322
 Cavalry, native, 341
 Cawnpur, 212 n., 227
 town duties in, 233
 Ceded and Conquered Districts, land
 revenue system in, 165
 stamp duty in, 242
 Chait Singh, Raja, 273
 Chapra, town duties in, 233
 Charles II, grants Bombay to
 Company, 127
 Chartres, Samuel, 145 n. 1
 Chicacole, 175
 China, opium trade and, 204
 Chittagong, 129 n. 3, 130, 163, 210,
 212 n.
 Chunar, government quarries in, 257
 Civil expenditure, 262-336
 Civil Service, the Company's, 277-86,
 288
 Clavering, General, 138
 Clive, Lord, 79, 129 & n. 2, 130 n. 1
 annual payment to, 264, 332
 establishes "exclusive society,"
 189
 establishes postal system, 258

- Clive, Lord, establishes Society of Trade, 268
 introduces *bhata* system, 358
 leaves civil service for military, 278
 proposal for English force in India, 339
 suggests increase of emoluments, 275
 views on the Diwani, 2 *n.*
 wars of, 341
 Coimbatore, tobacco monopoly in, 240-1
 Coinage, 33
 Collectors of Revenue, 46-9, 134, 144, 237-8
 civil courts under, 299, 300
 Comilla, town duties in, 233
 Commission system for Company's servants, 270-2
 Commissioners of Revenue and Circuit, 45, 47, 305-6
 Committee of Accounts, 36
 Committee of Circuit, 135, 136, 299
 Committee on Customs, 214 *n.*, 215
 Committee of Public Instruction, Bengal, 290-1
 Committee of Revenue, 135, 137 *n.* 2, 138 *n.* 1, 144-5
 Committee on transit duties, 227
 Committee of the Treasury, 36
 Committees, of the Company, functions, 36
 Parliamentary Select, *see* Parliamentary Select Committees
 Committees of Secrecy, Reports referred to, 75 *n.* 1, 80 *n.* 1 & 2, 81 *n.* 1 & 3, 84 *n.*, 131 *n.* 3, 132 & *n.* 2, 133 *n.*, 135 *n.* 1, 136 *n.* 5, 173 *n.*, 188 *n.* 1, 219, 240 *n.*, 262 *n.*, 263 *n.* 1 & 2, 270 *n.* 1 & 3, 271 *n.* 2, 272 *n.* 2, 275 *n.* 1, 276 *n.* 2, 333 *n.* 1, 340 *n.* 1, 359 *n.* 1
 Controlling Committee of Revenue of 1771, 43
 Murshidabad, 134
 Cooke, work referred to, 70 *n.* 1, 74 *n.*
 Coorg, amount of land revenue in, 186
 Coote, Sir Eyre, cost of establishment, 345
 on financial difficulties, 84
 share in commission, 271 *n.* 3
 wars of, 341
 Cornwallis, Lord, on administration of justice, 305 *n.* 1
 financial work of, 86, 90-1, 146-8, 158
 grant to, 333 & *n.*
 maintains military establishment, 348 & *n.* 2
 opium supply and, 200
 policy of economy, 265
 prize-money granted to troops, 346
 proposes transfer of Company's army to Crown, 357 *n.*
 reforms of, 44
 rules for civil administration, 280-3
 separates judicial and financial administrations, 300-2
 substitution of Europeans for Indians in Company's service, 285-6
 transit duties abolished under, 225
 Cossijurah, 160
 Council of Education, Bengal, 291
 Council General in Bengal, 8
 Council of Revenue, 43, 136, 138, 142 *n.* 3
 Court of Circuit, Bengal, 305
 Court of Directors, *bhata* reduction and, 359
 charges in England, 97
 correspondence with India, 33
 customs duty raised, 210
 Decennial Settlement and, 156-8
 on deficit in India, 101-2
 on education, 291, 295-6
 on employment of Indian officers, 287-8
 financial control of, 5, 34-5
 Fox's proposals, 10 *n.* 2
 General Bank disapproved of, 67
 Hastings's Committee of Enquiry opposed, 138 & *n.* 2
 on Madras permanent settlement, 178-81, 183
 on military expenses, 349-51

- Court of Directors, on *moturfa* taxes, 254-5
 patronage and, 11-12
 on pilgrim tax, 247-8
 under Pitt's Act, 10 *n.* 2
 powers under Act of 1784, 10
 prize-money granted to troops, 346
 remodelled, 8
 revision of customs ordered, 221-2
 revision of establishments recommended, 109
 revision of salaries advocated, 285
 salaries of, 332
 salt trade and, 188-9, 193-4
 single revenue system advocated, 146-8
 subordination to Crown, 9, 15
 tribute to Emperor of Delhi discontinued, 263
- Court of Justice in Bengal, 8
- Court of Proprietors, administrative powers lost, 35
 educational expenditure opposed, 290
 peace policy of, 338
 Regulating Act of 1773 and, 8
- Courtenay, T. P., on functions of Board of Control, 32 *n.* 3
- Covenanted Service, *see* Civil Service
- Cowell, work referred to, 315 *n.*
- Creditors of Company, nationality of, 121
- Croftes, Charles, 145 *n.* 1
- Currency, Indian, before British era, 60; after, 60-4
 shortage of, 27
- Customs, 208-23; inland, 223-37
- Cuttack, 163
- Dacca, 137, 209, 210, 212 *n.*
 college at, 294
 courts in, 300-1
 mint at, 61
 police force in, 314
 town duties in, 232
- Dalhousie, Lord, aggressive policy of, 116
 army improvement under, 360
 grant to, 333 & *n.*
 on *moturfa* taxes, 253-4
- Dalhousie, Lord, opium administration and, 205
 public works and, 107-8, 322
 reform of Public Works Department, 324-5
 Sepoy Mutiny and, 362-3
 single Revenue Board and, 45
- Dastaks*, or free passes, 24
- Debt, Indian, amount of, App. G, 376
 distinctions in, 116-20
 history of, 114-25
 interest on, 326-7
 war and, 120
- Debts of Presidencies, 1771-9, 82
- Deccan Prize Money, 346
- Decennial Settlement, Bengal, 156
- Delhi, Emperor of, 2, 3, 7, 263
 government college at, 295
- Dinajpur, 137, 153
 town duties in, 233
- Dindigul, Madras Presidency, 179, 180
- Diwani*, acquisition by Company referred to, 2, 7, 24, 27 *n.* 3, 43, 78, 130-4, 150, 198, 263, 266, 299, 304, 365, App. J, 379-80; creation of office, 1 *n.*; lands, 2, 143
- Diwani Adalats*, judicial powers of, 44, 304
- Diwans, revenue officers, 134, 137, 138 & *n.* 1
- Dow, Alexander, financial proposals of, 140 & *n.* 2
- Dundas, Henry, financial statement to Parliament, 29-30
 fixes military establishment, 348
- EAST, Sir Edward Hyde, helps to found Hindu College, 291 & *n.*
- East India Annuities, 117
- East India Company, ceases to be a trading corporation, 6, 13
 Civil Service of, 277-86, 288
 committees of, 36
 different rôles of, 1
 Directors of, *see* Court of Directors
 relations with Exchequer, 22
 trading and administrative character of, 11, 12, 16, 17

- East India House, 35
 expenses of, 332
 Ecclesiastical charges, 289
 Education, system and expenditure, 290-9
 Education Society, Bombay, 293
 Elizabeth, Queen, 7
 Ellenborough, Lord, on financial reform, 51-2
 letter on inland duties, 226-7
 Elphinstone, Lord, on financial policy, 42 & n.
 Elphinstone Institution, 295
 Embankments, maintenance of, 318-20
 Emperor of Delhi, 2, 3, 7, 263
 Exchange-rate for rupees, 58 n. 3, 59
 Exchequer, payments by Company into, 4, 16 n.
 Expenditure, Indian: abstract of, for year 1857-58, App. C, 371
 gross for 1792-1858, App. D, 372
- FAMINE of 1770-71, 24
 Farukhabad, 212 n., 227
 town duties in, 232-3
 Finance and Home Committee, 36
 Finance Committees, 50-1
 civil and military, 102-3
 Finance Department of the Government of India, 49-50
 Financial Secretary, 52, 54
 Financial year, 75
 Firminger, work quoted, 1 n., 128 n., 142 n. 3, 155 n. 1
 Forrest, G. W., work referred to, 85 n. 2 & 3, 263 n. 3, 282 n. 3, 346 n. 2
 Fort William, 66, 130
 Fort William College, 278 n. 2
 Foster, Sir W., work quoted, 49, 56 n., 278 n. 1, 331 n. 2
 Fox's India Bill, 10 & n. 2
 Francis, Philip, financial reform plans, 138, 140-2
 on General Bank, 68
 on opium monopoly, 201
 opposes establishment allowance of Commander-in-Chief, 345 n. 3
 on salt monopoly, 195
 Frazer, R. W., work quoted, 362 n. 3
- GANGES Canal, 322
 Ganjam, 175
 Gaya, town duties in, 233
 General Bank, history of, 66-9, 69 n. 4, 70 n. 1
 General Treasury, in Bengal, 57-8
 Ghazipur, 205-6
 government quarries in, 257
 Godavery canals, 322
 Gomastas, 24, 66
 Gorakhpur, town duties in, 233
 Governor-General, of Bengal, 8, 10, 17, 17 n., 37-9
 of India in Council, 11, 41 & n. 2
 Governors-in-Council, established in Madras and Bombay, 10
 Govindapur, 127
 Grant, James, views on Company's revenue, 148-9
 Grants-in-aid, for education in India, 297
 Granville, Lord, referred to, 12 n. 2
 Great Indian Peninsula Railway, 323
 Guntoor, 175
 Gwalior, campaign in, 106, 360, App. A, 368
- HAILEYBURY College, 278, 332-3
 Haliburton, trains native troops, 341
 Halliday, Sir Frederick, on police system, 317
 Hamilton, I. G. I., work referred to, 259 n. 1
 Hardinge, Lord, aggressive policy of, 116
 grant to, 333 & n. 1
 Hare, David, helps to found Hindu College, 291
 Harington, J. H., Hindu College and, 291 & n.
 on pilgrim tax, 246
 on town duties, 233 n. 2
 work referred to, 47 n., 210 n. 1, 211 n. 1, 231 n., 241 n. 3, 250 n. 2, 251 n. 2
 Hastings, Marquis of, *bhata* system under, 359
 financial report of, 115 n. 2
 grant to, 333 & n.
 policy of, 95
 public works and, 320

- Hastings, Warren, ambition unfavourable to pacific policy, 337
civil expenditure under, 264-6 & n.
comments on Francis's Minute, 68 n. 1
on Company's creditors, 121 n. 2
conflict of courts and, 300 n. 1
emoluments of Commander-in-Chief and, 345 n. 3
financial achievements, 82-4
financial enquiry set up, 138
General Bank plans, 66
grant to, 333 & n.
impeachment of, 29
investment system and, 25
Memoirs, quoted, 82, 85 n. 1
officers' salaries and, 275, 278 & n. 3, 279
opium monopoly farmed out, 199
plan for financial reform, 139
presents and, 273-4
on revenue-farming, 143 n. 1
revenue re-organisation of, 144-5
salt trade and, 189-90
Haveli lands, 47
Hindu College, Calcutta, 291, 297
Hobart, Lord, financial reforms of, 48-9
'Home Charges,' 328-36, App. H, 377
House-tax, Calcutta, 258
Hughli, 209, 210, 212 n., 304
town duties in, 232
Hughli College, 294
Hundian, 66
Huzuri Mal, 66, 67 n.
Hyder Ali, war with, 347
- IMPEY, Sir Elijah, appointed Chief Justice, 300 n. 1
Indapur Taluka, 184
India Board, *see* Board of Control
Indian Mutiny, *see* Sepoy Mutiny
Indian Navy, 40, 76, 289
growth of, 364-5
Indian officers, as agents of Company, 285-8, 310 n. 3
Inland duties, 223-31
Interest on Indian debt, rate of, 122-5
- Investment, system of, 24, 25 & n. 2, 26, 27
Irrigation works, 322
Islamabad, town duties in, 233
- JAFFAR KHAN, 149, 150 n. 1
Jagat Setts, hereditary bankers, 65
Jaigir, Madras Presidency, 179
Jessore, 153
town duties in, 233
Jones, Monckton, quoted, 198 n. 2
Judges, native, 301-10
salaries of, 306-7
Jumna Canals, repair of, 320, 322
Justice, civil, system and cost, 299-303, 306-10, 317-8
criminal, system and cost, 303-6
- KANUNGOS, 145
Karachi, harbour construction, 324
Kaye, Sir J. W., on Indian taxation, 260-1
work quoted, 286
Keane, W., on salt tax, 197
Khalsa, or exchequer, removed to Calcutta, 134, 137, 146
King's troops, in India, 354-6
Krishna canals, 322
Krishnagar, College at, 294
town duties in, 232
Krishnaghery, Madras Presidency, 179
Kurnums, village accountants, 177
- LAHORE, 227 n. 1
Lakheraj lands, 159
Lambardar, 169
Land revenue, 126-87, 185-7
Language of accounts, 74, 137
Law, Thomas, on *Sair* taxes, 250
on town duties, 232 n.
Legislation affecting India, *see* Parliament
Liverpool, import of salt from, 195
Liverpool East India Committee, 14 n. 1
Loans: of Company, 93-4, 114;
by Company to British Govern-

- ment, 22, 23 *n.*; by Government to Company, 22-3, 33
- Lower Provinces, Bengal, town duties in, 232-4
- MACKENZIE, Holt, on abolition of inland duties, 225-6
- on European force in India, 352
- on Indian accounts, 75 *n.* 2, 103-4
- on Indian officers, 287 *n.*
- on native judges, 308-9
- survey of villages advocated, 168
- MacMunn, Sir George, on Indian officers, 347 *n.* 1
- Macpherson, Sir John, administration of, 263, 265 & *n.*
- currency difficulties and, 27
- financial achievements of, 85
- grant to, 333 & *n.*
- substitution of Europeans for Indians in Company's service, 285
- Maddock, Sir T. H., evidence quoted, 40 *n.*
- on export duties, 222 *n.* 2
- Madhoji Sindhia, 1 *n.*; demands tribute, 263
- Madras, Bank of, 73
- siege of, 341
- town duties in, 234
- university at, 295, 297
- Madras Presidency, Board of Education, 292
- Board of Revenue, 174, 176
- civil justice in, 302-3
- criminal justice in, 306
- customs duties in, 219-21
- education in, 292-4, 295, 297
- finance of, 41
- Governor-in-Council established, 10
- judicial and police charges in, 318
- land revenue in, 186
- military establishment in, 348, 351-3
- permanent settlement of land revenue in, 171-83
- police system in, 314-5
- revenue and expenditure, 77-111, App. E, 374
- Madras Presidency, revenue system of, 47-9
- salaries of judges, 307 & *n.* 2
- salt revenue of, 192
- stamp duties in, 243-4, 245
- tobacco monopoly in, 240
- transit duties in, 230-1
- Madrasa, Calcutta, educational institution, 290, 294
- Madura, 180
- Mahomed Reza Khan, Naib Subah, 130, 133
- Mahratta, village assessments, 183; wars, 92, 115, 346, 351, App. A, 368
- Mainpuri-Koel, town duties in, 233
- Mal, 126
- Malabar, 180, 230; tobacco monopoly in, 240
- Malcolm, Sir John, on *bhata* reduction, 359 *n.* 2
- on native army, 352-3, 354 *n.*
- work referred to, 340 *n.* 2, 342 *n.*
- Malwa, opium, 203, 206-7
- Manchester Chamber of Commerce, 14 *n.* 1
- Manjee, 210, 211
- Marshman, J. C., on Indian education, 290 *n.*
- Martaban, 317
- Masulipatam, 173
- Mazaffarpur, town duties in, 233
- Medical charges, 289-90
- Meerut, 212 *n.*
- town duties in, 233
- Melville, J. C., on Crown's rights over lands acquired by Company, 4 *n.* 2
- Midnapur, 129 *n.* 3, 130
- town duties in, 232
- Military expenditure, 55, 329-30, 335, 337-66, App. 1, 378
- Mul, James, on double *bhata*, 358 *n.* 2
- on justice in India, 302 *n.*
- on salaries of officers, 280
- work referred to, 4, 12 *n.* 2, 82-3, 91 *n.* 1, 93 *n.* 2, 269 *n.* 1, 270 *n.* 2
- Minto, Lord, financial work of, 94
- Mints, Indian, before British era, 60-1
- profit from, 326

Missionary societies, 293
 Mir Jafar, 128, 129, 272
 Mir Kasim, 129, 150 *n. i*, 188
 Mir Munir, 199
 Mirzapur, 212 *n.*
 government quarries in, 257
 town duties in, 233
 Mofussil, 133, 134
 Moghul Emperor, inscription on
 coins, 60 *n. i*
Mohur, legal tender, 62-3
 Monometallic standard adopted, 63
 Monopoly of trade, lost by Com-
 pany, 13
 Moradabad, town duties in, 233
 Moti-jhil, 130 *n. i*
Moturfa, tax on trades, 252-5
 Mubarak-ud-Daula, 263
Mufassal, civil courts, 300
 treasuries, 57
 Multan canals, 322
 Munni Begum, 273
 Munro, Lt.-Col. (afterwards Sir
 Thomas), 177, 336 *n.*
 Murshidabad, 130, 133, 134, 137,
 209, 210, 212 *n.*, 262
 courts in, 300-1
 mint at, 61
 Nawab of, 2, 263, 344
 police in, 311, 314
 town duties in, 232
 Mutiny, *see* Sepoy Mutiny
 Mysore War, 114

“NABOBS, INDIAN,” 268
 Nadia, 153, 160
 Nagpur, 317
 land revenue in, 186
 Naib Diwan, office of, 130, 133
 Najm-ud-Daula, 129, 273
 Nanda Kumar, Maharaja, 149
 Nasirabad, town duties in, 233
 Native army : cost compared with
 European, 353 ; officers in, 347 ;
 pay of, 344
 Native judges, 301-10
 advocated by Holt Mackenzie,
 308-9
 salaries of, 306-7
 Natore, town duties in, 233

Navy, Indian, 40, 76, 289, 364-5
 Nazim, office of, 1 *n.*
 Nellore, 180
 Nepal, war in, 115, 351, App. A, 368
 Northern Circars, Madras, 179, 180
 North-Western Provinces, consti-
 tuted, 170 *n. 2*
 education in, 298-9, 292-5
 judicial and police charges in, 318
 land revenue in, 186
 revenue in, 171, App. E, 374
 salt revenue in, 194
 stamp duties in, 245

ONGOLE, 180
 Opium, 96, 105, 206
 revenue from, 198-208
 Orissa, civil courts in, 300
 finance of, 2
 Oudh, judicial charges in, 318
 land revenue in, 186
 Vizier of, 96, 165, 273, 344

PAGODA, Madras coin, 63
 Palnad, 180
 Panchayet system of justice, 302-3
 Pandits, 301, 306
 Parliament, control over Indian
 finance, 4, 7-9
 legislation affecting India :
 Act of 1767, 4
 —1773 (Regulating Act): 8-9,
 12 *n. i*, 269, 273 *n. i*, 276,
 300, 337
 —1781: 9, 22
 —1784 (Pitt's India Act): 10
 & *n. 2*, 142, 146, 330, 348
 —1793: 10, 15, 22, 30, 35 *n. 2*,
 283 *n. i*, 290
 —1807: 71 *n. 2*
 —1813: 6, 11, 16, 26 *n. 2*, 33,
 35 *n.*, 283 *n. i*, 290
 —1833: 11, 13, 20, 21, 32 *n. 3*,
 41, 42 *n.*, 50, 105, 116,
 117, 287, 321, 328
 —1853: 11, 14, 21, 284
 —1858: 14 *n. 2*
 Parliamentary Select Committees,
 7 ; Reports, etc., referred to :

Parliamentary Select Committees:

- Committee of 1782-83: 9, 10, 24 *nn.*, 25 *n.* 1, 27 & *nn.*, 135 *n.* 2, 139 *n.*, 141 *n.* 1, 142 *n.* 2, 145 *n.* 2, 188 *n.* 2, 189 *n.*, 190, 198 *n.* 2, 199 *n.* 1, 201 *n.*, 274, 280 *n.* 3, 311 *n.*, 347
- Committees of 1808-12: 11, 15 *n.* 2, 16, 130 *n.* 2, 131 *n.* 2, 134 *n.* 2, 146 *n.* 2, 148 *nn.*, 157 *n.* 2, 160 *n.*, 167 *n.* 2, 176 *n.*, 178 *nn.*, 180, 181 *n.*, 302, 313
- Committee of 1810: 15 *n.* 2, 16, 91 *n.* 2, 82 *n.*, 93 *n.* 1, 115 *n.* 1, 162
- Committee of 1813: 283
- Committee of 1832-33: 4 *n.* 2, 8 *n.*, 13 *n.*, 15 *n.* 1, 18 *n.*, 19 & *n.*, 23 *n.*, 32 *n.* 3, 34 *n.*, 57 *n.*, 62, 75 *n.* 2, 96 *n.* 1 & 2, 97 *n.* 1, 99 *n.*, 102 *n.*, 103, 104 *n.*, 115 *n.* 3, 195 *n.* 1, 196, 202, 239, 240, 241, 244 *n.* 2, 246 *n.*, 284, 287 *n.*, 306 *n.*, 308, 340 *n.* 2, 352 *n.*, 353 *n.*, 354 *n.*, 358 *n.* 1, 360
- Committee of 1836: 196
- Committee of 1852-53: 40 & *n.*, 42, 195 *n.* 2, 197, 252 *n.* 2, 284, 290 *n.*, 291 *n.* 1, 292 *n.* 2, 295, 322 *n.* 2
- Patna, 130, 137, 198, 205-6, 209-10
courts in, 300-1
mint at, 61
police force in, 314
town duties in, 231-2
- Patronage, 10, 11, 288
- Pegu, 186, 317
- Penang, 92
- Pennington, James, on system of accounts, 19, 75 *n.* 2
- Perganas, the Twenty-four, 129, 133
- Permanent Settlement, of land revenue in Bengal, 160-3
- Persia, mission to, 330
- Persian language, used in accounts, 74
- Pilgrim tax, 245-9, 251
- Pindari War, 346
- Piracy, in Arabian Sea, 364
- Pitt's India Act, 1784, 10 & *n.* 2, 142, 146, 330, 348

- Place, Collector in *jaigir* lands, 176
- Plassey, battle of, 4 *n.* 2, 65, 128 272, 342
- Police: charges, 317-8; organisation, 310-17; tax in Bengal, 257
- Political and Military Committee, 36
- Pollams, Madras Presidency, 179
- Poona College, 295
- Post Office, receipts from, 258-60
- Presidency College, Bengal, 294, 297
- Prince of Wales's Island, 100
- Prize-money, 346
- Public works, 318-26
- Punjab, campaign in, 106
education in, 298-9
judicial and police charges in, 318
land revenue in, 185-6
revenue for 1849-58, App. E, 374
salt revenue, 194
- Puri, 164
- Purnea, town duties in, 233
- RAHADARI*, road tax, 257
- Rai Dayal Chand, 66, 67 *n.*
- Railways, 323
- Raiyatwari*, principle of settlement, 177-8, 181-2, 183
- Rajputana, salt supply, 195
- Rajshahi, 153, 160
- Ramnad, Madras Presidency, 179
- Rangpur, town duties in, 233
- Rate of exchange for rupees, 58 *n.* 3, 59
- Ravi Canal, 322
- Ray, Rammohun, 196
- Ray-Rayan, post of, 138 & *n.* 1
- Read, Alexander, 177
- Revenue: for year 1828-9, analysed, 96 *n.* 2
for year 1857-58, App. C, 370
gross, 1792-1858, App. D, 372-3
surplus or deficit, 1814-58, App. A, 368, App. D, 372-3
- Revenue Department, of India Board, 33-4
- Revenue, Judicial and Legislative Committee, 36
- Reza Khan, Nawab, 149
- Road tax, 257
- Roads, maintenance of, 318-22

- Rohilla war, 338
 Roorkee, engineering college at, 325
 Ross, A., Governor of Agra, abolishes customs-houses, 227-8
 Ross, C., work referred to, 85 *n.* 4, 86 *n.*, 282 *n.* 1 & 2, 348 *n.* 2
 Rumbold, Sir Thomas, guilty of corruption, 275
 land revenue settlement, 173
 Rupee, different values of, 58-62
- SADAR Board of Revenue, 45
Sadar Diwani Adalat, Calcutta, 242, 299-300
 Saharanpur Rules, 171
 Saif-ud-Daula, 273
 St. Helena, 79, 92, 100, 330, 343
Sair, 126
 various duties included under, 249-52
 Salaries of Company's officers, 276, 281-2, 283 *n.* 1
 Salem, 179
 Salt: methods of manufacture, 194-5; tax on, 188-98, 198 *n.* 1, 233
 Sambhar salt lake, 195
 Sanskrit College, Benares, 290; Calcutta, 291, 294
Sanwat rupees, 58, 61-2
 Sativaid, 180
 Satara, 318
 amount of land revenue in, 186
 Scot, Sir Robert, on native and European troops, 352-4
 Secretary of State for India, control of, 9
 office of, 121
 Security Fund, established 1833, 20
 Select Committees, *see* Parliamentary Select Committees.
 Sepoy companies, 340 & *n.* 2, 341
 Sepoy Mutiny, army strength and, 361
 Bank of Bengal and, 73
 debt increase due to, 116, 118
 expenditure due to, 288
 financial aspects of, 110-1
 land revenue and, 186 *n.* 2
 policy of Dalhousie and, 362-3
 powers of Company and, 14
- Sepoy Mutiny, prevents Financial Statement, 32 *n.* 2
 rate of interest and, 125
 recruiting charges and, 332
 transport of troops and, 329
 Shetab Ray, Raja, 130
 Shore, Sir John (Lord Teignmouth), on currency shortage, 28
 economies of administration under, 87
 Governor-General of Bengal, 149*n.*
 on 'Home Charges,' 334
 member of Committee of Revenue, 145 *n.* 1
 military expenses and, 349
 Minutes on financial system, 149-55
Shroffs, 66
 Shuja Khan, 28 *n.*, 150 *n.* 1
Sicca rupees, 58, 60-3
 Sikh Wars, 360, App. A, 368
 Silver, evils of export of, 27-8
 Sind, land revenue in, 186; war in, 106, 360, App. A, 368
 Sindhia, Madhoji, 1 *n.*; demands tribute, 263
 Singapore, 207
 Siraj-ud-Daula, 128
 Smith, Vernon, army reduction and, 362
 financial views of, 109, 285
 Society of Trade, 268-70
 Stamp duties, 241-5
 Stanley, Lord, on Indian debt, 121-2 & *n.*
 Steamer services, 324
 Straits Settlements, 207
 Suja-ud-Daula, 338
 Superintendents of Police, Bengal, 313
 Supervisors, financial, 131 & *n.* 1, 134
 Supravisors, financial officers, 131 *n.* 1
 Supreme Court, Calcutta, 300
 Surat, 218
 town duties in, 236
 Sutanati, Zemindari right in, 127
 Sylhet, town duties in, 233
- TAHSILDARS*, office of, 47
 Tanjore, 180
 Raja of, 344 & *n.* 1

- Taxes, cost of collection, 266
 Teignmouth, Lord, *see* Shore, Sir John
 Telegraphs, 323
 Tenasserim, 317
 land revenue in, 186
 Territorial Department, 49
Thanadari lands, 159
 Thomason, J., Lieut.-Governor of North-Western Province, 325
 Tinnevely, 180
 Tipu Sultan, war with, 340, 342, 346, 348
 Tobacco, covenanted servants' trade in, 189
 duties on, 209
 monopoly, 240-1
 Topasses, 344 & *n.* 2
 Town duties, 209-10, 231-7
 Transit duties, inland, 223-31
 Treasury Bills, as currency, 28
 Trevandapuram villages, 179
 Trevelyan, Sir Charles, advocates budget system, 52-3
 on financial procedure, 40
 Report on customs, etc., 226
 on transfer of wealth to England, 334
 Trichinopoly, 180
 Tucker, H. St. G., on Indian banking, 70 & *n.* 2, 71 & *n.* 1
Tumar Jama, 141
 Turya Mal, Raja, 1 *n.*
 149, 150 *n.* 1

 UNIT of account in Company's books, 58-9
 Universities, establishment in India, 295-7
 Upper Provinces of Bengal, Board of Revenue, 167 *n.* 1
 land revenue system, 165-71
 town duties in, 232-4

 VALBEZEN, E. de, work quoted, 111 *n.*
 Vansittart, Henry, Governor of Bengal, on military expenditure, 343
 Vansittart, Henry, Governor of Bengal, salt duties and, 188
 Verelst, Harry, work referred to, 24 *n.* 2, 79, 129 *nn.* 1 & 3, 131 *n.* 1
Visavadi, tax on trades, 252-3
 Vizagapatam, 175

 WELLESLEY, Marquis of, attempt to impeach, 29
 debt during administration of, 114, 119
 on financial position, 87-9
 Fort William College and, 278 *n.* 2
 grant to, 333 & *n.*
 on investment system, 26
 on European officers for Company's service, 286
 military expenditure under, 349
 Whitewell, guilty of corruption, 275
 Wilberforce, William, advocates education of Indians, 290
 Wilson, H. H., on benefits of British rule, 336 *n.*
 work referred to, 21, 26 & *n.* 1, 95 *n.* 2, 125, 258
 Wilson, James, quoted, 111 *n.*, 121 *n.* 1
 Wingate, Sir George, on transfer of wealth to England, 334 *n.* 1, 335
 Women, education of, 297
 Wood, Sir Charles, on army reduction, 362
 financial statement in Parliament, 30, 197 *n.* 2
 on Indian finance, 109
 on loan conversion of 1853-4, 124 *n.*
 public works and, 321-2
 university education in India and, 295 *n.* 2

 ZEMINDARI lands, 2, 130, 172
 Zemindari right, 1 & *n.*, 127, 128
 Zemindars, 127-9, 131, 133-5, 139, 141, 143, 144, 148, 151, 153, 154, 164, 170, 172, 173, 179, 303-4; as police authorities, 311, 315

**PRESIDENT'S
SECRETARIAT
LIBRARY**